EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,588

Tuesday October 22 1991

D 8523A

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Engine trouble stalls Rolls-Royce
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Germany is given grim warning on economy

By Quentin Peel in Bonn

GERMANY'S five leading economic institutes yesterday issued a grim warning of the consequences of failure to cut wage demands and government spending for the economy, and above all for the former East Germany.

They made an urgent appeal to the government, employers, trade unions and the Bundesbank to co-ordinate their wages, state spending and monetary policies to avoid worsening inflation and a sharp downturn in the economy.

The plea came in the latest autumn survey of the German economy issued by the five institutes, which reported that the collapse of the east German economy had bottomed out – but that there was no sign of any sustained recovery. A forecast for 12.5 per cent growth in the coming year was described as nothing more than "a technical correction of the collapse."

Initial government reaction to the survey completely ignored its overwhelmingly gloomy tone, and commended instead its conclusion that the collapse of the eastern economy had bottomed out. The government spokesman said this proved that the "eastern upswing" had begun, in spite of repeated statements in the document to the contrary.

The institutes' report was particularly outspoken in warning of the consequences of a failure to restrain wage demands in both east and west, and government spending in the west.

The drive for wage equalisation in the east was destroying the competitiveness of eastern industry faster than any productivity gains could be achieved through new investment, the economists said. The result was that the inflow of private investment was discouraged.

The two growth sectors in the east today – construction and retail trade – relied on public sector finance and the wages boom, respectively. That trend would continue unless incomes were restrained in all but those sectors of genuine labour shortage.

"In east Germany there will be no economy able to develop which is as efficient as that in west Germany, and which offers enough jobs," it said. "Many jobs in the new Bundesländer are not guaranteed in the long term, because they depend on the distribution of state finance."

In addition, the continuing need for public funds to subsidise the eastern economy meant that the tax and social security burden on western workers would remain high and possibly rise further – fuelling wage demands in the west.

The state debt would continue to rise, restricting its own efficiency and burdening the capital market, further increasing the cost of capital.

The institutes called for western employers and unions to keep their deals to a maximum of 4 per cent. That in turn, they suggested, would relieve the Bundesbank of real pressure to cut the money supply further.

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Editorial Comment, Page 20

World News

Efta close to deal with EC over free trade zone

Negotiations to create a free trade zone between the EC and the European Free Trade Association were close to success last night, although Greece was insisting on further concessions over transit licences. The EC Twelve and the seven-nation Efta narrowed their differences on the amount of extra cod Norway would make available, and the volume of "cohesion" aid and soft loans Efta would provide for the EC's poorer members. Page 22

French ministers at bay
French prime minister Edith Cresson has forbidden members of her government to leave Paris without first receiving clearance. The security order comes after several violent demonstrations against government ministers by farmers who are angered by falling prices and possible EC agriculture policy reforms. Page 22

Missile talks to restart
The US and the Soviet Union have agreed to resume talks in Geneva early in January on President George Bush's proposals on ballistic missile defences. Page 7

Veteran Turk victorious
Veteran Turkish politician Suleyman Demirel was headed for victory in the general election, though a fragmented vote makes a coalition inevitable after eight years of rule by the Motherland party. Page 22

Major slams Commission
The row over the European Commission's intervention in environmental studies for seven construction projects in the UK flared again. John Major, Britain's prime minister, expressed "severe irritation" at the way the matter had been handled. Page 8

US Democrat to stand
Jerry Brown, former governor of California whose eccentricities earned him the nickname "Governor Moonbeam", has entered the race for the Democratic presidential nomination. Page 22

Californian fire rages
Californian firefighters were still struggling against a fire which has engulfed residential neighbourhoods close to the cities of Oakland and Berkeley, killing 10 people and destroying an estimated 600 homes. Page 6

Return of boat people
The repatriation from Hong Kong of all Vietnamese boat people moved a step closer after Vietnam agreed to accept the forced repatriation of about 250 boat people. Page 4

UK isolated on sanctions
Britain remained isolated on South Africa in spite of a more moderate Commonwealth stance on the lifting of sanctions. Page 4

Zaire crisis mounts
Troops of Zaire's elite presidential guard fired teargas and shots into the air to disperse thousands of pro-democracy demonstrators who had gathered to support Etienne Tshisekedi, the sacked opposition prime minister. Page 4

Madagascar protest off
Madagascar's opposition called off a waning strike launched four months ago to press President Didier Ratsiraka towards political reforms.

Korean talks resume
Korea's prime minister will travel to North Korea to resume a series of high-level talks aimed at improving relations and easing tensions across the heavily militarised Korean border. Page 4

Oslo expels diplomats
Norway has expelled eight staff at the Soviet embassy for "activities incompatible with their diplomatic status", a term for spying.

Business Summary

Lloyd's of London gets writ from 64 US members

Several hundred individuals and businesses in the Lloyd's of London insurance market were yesterday cited in a writ filed in New York alleging breaches of US securities and racketeering laws.

The allegations, by 64 of the insurance market's US members or Names – the individuals whose assets support underwriting – allege that Lloyd's and its agents broke the law by misrepresenting risks faced by potential investors in the market. Page 22

SIEMENS of Germany is to tighten its control over the ailing Nixdorf Computer company, which it rescued last year, by raising its stake from the present 78 per cent of the combined voting and preference stock to 100 per cent at a cost of nearly DM1.9bn ($1.1bn). Page 23

LAFARGE Coppée, France's largest cement and construction materials group, plans to continue its expansion in Spain by taking a large stake in Texsa, a FFr1bn ($170m) per year turnover building products group. Page 23

TIME Warner, US media and entertainment giant, revealed a $62m third quarter net loss, compared with a $91m deficit a year ago. Page 23

SANWA International launched 10 authorised unit trusts in the UK, the first entry by a Japanese institution into the UK unit trust industry. Page 23

MANNESMANN, German steel and engineering group, is to acquire a 51 per cent stake of the voting shares of VDO Adolf Schindling, a Frankfurt-based manufacturer of instrumentation systems for cars and aircraft. Page 23

US government is considering cutting taxes for middle-income families as part of effort to stimulate economic growth. Page 7

GRAND Metropolitan, UK food, drinks and retailing group, has bought Greece's leading ouzo producer, Kaloyannis Brothers, consolidating its presence in the Greek drinks market. Page 30

JAPAN'S money supply expanded by a low 2.2 per cent last month, down from a revised 2.7 per cent growth in August, heightening stock and bond market expectations of a cut in official interest rates this week. Page 4

NATIONAL Westminster Bancorp, wholly owned US subsidiary of Britain'a National Westminster Bank, revealed a third-quarter loss of $65.7m. Page 23

SKF, world's leading rolling bearings manufacturer, has announced a 95.2 per cent drop in profits (after financial items) for tha first nine months of the year to SKr85m ($13.8m) compared with SKr1.78bn for the same period of 1990. Page 23

CHASE Manhattan, New York bank that has been hard hit by the real-estate slump, released improved third-quarter results which suggest the bank's restructuring and cost-cutting policy is beginning to pay off. Page 24

From today, the FT-SE Eurotrack 100 index can be found in the panel immediately below this column. The index, launched a year ago, covers 100 leading continental European shares traded on Seaq International, the London Stock Exchange's international marketplace.

Fuller statistics on the FT-SE Eurotrack 100 can be found on the World Stock Markets page each day. Details of the FT 30-share Ordinary index, formerly carried in the panel below, can be found each day on the London Stock Market page.

Israeli objections to PLO role may block peace talks

By Hugh Carnegy in Jerusalem and Max Rodenbeck in Cairo

ISRAEL'S prime minister warned yesterday that his government still had to scrutinise the list of Palestinian delegates to next week's Middle East peace conference to ensure they met Israeli terms for attending the talks.

Mr Yitzhak Shamir's statement came as Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, stressed the significance of his role in the peace process and his closeness to the delegation representing the Palestinians at the talks.

Israel has said it will not accept any direct role for the PLO.

Mr James Baker, US secretary of state, has assured Mr Shamir that the Palestinian delegation, which is likely to be announced today in Jerusalem, would not contravene Israel's conditions that it should exclude members of the PLO and residents of Jerusalem.

Palestinian statements have exposed the extent to which the Israeli government has been forced to turn a blind eye to the PLO's thinly disguised presence. An irritated Mr Shamir said yesterday of the Palestinian delegation: "We will have to check the names and we will act accordingly."

Israeli officials indicated they did not expect a major upset, but stressed they would stick to their conditions. "The main test will be in the conference itself," an official close to Mr Shamir said. "If we find ourselves sitting in front of people who are not acceptable to us, then we will leave."

In Cairo, Mr Arafat underlined his primary role in preparations for next week's conference. "Don't forget, I appointed (Faisal) Husseini to head the team of pre-conference negotiators," he told reporters, adding that he expected co-ordination between the PLO and the Palestinian delegation to be "excellent".

However, Mr Arafat was careful not to make any claims of responsibility for the nomination of Dr Haidar Abdul-Shaffi to head the Palestinian group in the talks with Israel.

But Dr Shaffi himself told Israel Radio that the delegates would be representatives of the PLO. "In the sense that all Palestinians have allegiance to the PLO, so they are," he said.

Mr Shamir also reacted sharply to reports that tha delegation would include up to six members who would not take part in the talks, but would act as advisers. They are expected to include figures Israel has objected to as negotiators, such as Mr Husseini.

"Nobody talked to us about this and we did not agree to this," Mr Shamir said. "This really takes us by surprise."

Mr Arafat yesterday met Egypt's president Hosni Mubarak in an effort to heal Arab divisions before the conference. Mr Arafat, who has been shunned by Egypt since he backed Iraq during the Gulf crisis, won promises of Egyptian support for Palestinian demands at the conference, but failed to gain Egyptian assent for a full Arab mini-summit grouping the leaders of Israel's neighbours.

Instead, Syria, Lebanon, Jordan, Egypt and the PLO have agreed to send ministers to talks aimed at co-ordinating Arab strategy which are expected to be held tomorrow in Damascus. In a sign that welcoming the peace conference has not erased Palestinian doubts over what they may gain, the PLO leader described guarantees given by the US as "not sufficient".

Syria and the PLO have agreed to try to persuade the other nations to stay out of multilateral talks on regional issues such as arms control, scheduled to start two weeks after the conference opening, until such time as Israel agrees to give up the occupied territories. Jordan said yesterday it was considering such a stance.

Meanwhile, Mr Shamir said he did not see any danger of his rightwing coalition collapsing because of hardline opposition to the peace talks. One coalition faction, Tehiya, voted on Sunday to leave the government as soon as the conference opens.

However, two other extremist groups say they will only quit if negotiations get as far as the issue of territorial concessions by Israel. Even if they were to do so, Mr Shamir could continue in office with opposition Labour party support.

Lebanese Hassan Hamka embraces his mother after being released with 14 of his compatriots from an Israeli prison at Tyre in south Lebanon

US hostage Jesse Turner released after four years

By Hugh Carnegy in Jerusalem

AMERICAN hostage Jesse Turner was freed by kidnappers in Beirut last night, hours after Israel paved the way for a deal by releasing 15 Lebanese prisoners.

Mr Turner, who had been held since January 1987, was put in the custody of Syrian security officers and was being driven to Damascus to be handed over to US diplomats.

Mr Turner, now 44, was kidnapped on the campus of Beirut University with an American colleague, Mr Alann Steen, who is still being held.

With Mr Turner's release, kidnappers are now holding eight westerners, including four Americans.

Just before his release, the pro-Iranian kidnap group, the Islamic Jihad for the Liberation of Palestine, complained that Israeli bombing had held up steps to free him.

The bombing was part of a flare-up of fighting between Israeli forces and Hizbollah – the Iranian backed fundamentalist group – in southern Lebanon. Israeli jets bombed a Hizbollah base near the village of Jibsheet in retaliation for a bomb attack on Sunday in which three Israeli soldiers died.

Mr Yitzhak Shamir, Israel's prime minister, said the release was one in a series of steps agreed with Mr Javier Pérez de Cuéllar, UN secretary-general, aimed at securing the freedom of all remaining western hostages in Lebanon.

The complex hostage-swap arrangement includes Israel gaining confirmation of the fate of seven missing servicemen in return for the release of more than 300 Lebanese prisoners which it holds.

The UN has made considerable progress towards a settlement of the hostage problem since the release in August of Mr John McCarthy, a British journalist. His release was followed by the freeing of Mr Edward Tracy, an American, and Briton Mr Jackie Mann.

Britain 'gives inadequate support to manufacturers'

By Michael Cassell, Business Correspondant, in London

SOME of Britain's most senior industrialists yesterday criticised its government and banks for failing to support manufacturing industry. They called for a national commitment to help sustain long-term investment in the country's manufacturing base.

They criticised the Department of Trade and Industry for failing to promote the interests of manufacturing and claimed the Treasury and Bank of England were handicapped "by a combination of poor information, lack of first-hand understanding of the realities of manufacturing and an apparent mistrust of outsiders".

In a report prepared by the Confederation of British Industry, the business leaders said the UK government must be prepared to act as the "champion of industry" in the international arena.

"We cannot afford for key exporting industries to lose orders because UK manufacturers in practice receive less support from their government than major competitors", they added.

They also criticised the short-term attitude towards manufacturing among UK financial institutions. Steps to redress the "imbalance of power" between the banks and smaller manufacturing businesses were called for, as well as an improved climate of understanding between shareholding institutions and larger manufacturing companies.

The report, which is certain to reignite the political debate over Britain's comparatively weak manufacturing performance, claims only "a fundamental shift in attitudes" will allow the UK to compete successfully with othar leading manufacturing nations.

Mr John Banham, CBI director-general, said that Britain's manufacturing sector had not been run down during the 1980s. After decades of decline, the UK's share of manufactured exports was again rising. Even so, Britain's overall manufacturing performance still lagged badly behind that of its main competitors.

He added: "Without a strong manufacturing base, there is not the slightest prospect that tha UK will generate the wealth our politicians are competing so wildly to spend".

Mr Peter Lilley, trade and industry secretary, brushed aside the more critical passages of the report. He said he shared the CBI's support for manufacturing industry, whose future would depend on its ability to innovate and to provide quality products.

The CBI report did not exclude companies from criticism. It said that while many had achieved world-beating performances, the aggregate figures suggested there were too few of them. The average productivity of the top one-quarter of UK manufacturers was more than five times the average of the bottom quarter.

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MARKETS

Apple sets sights on market for notebook computers

John Sculley (left) chairman and chief executive of Appla, has high hopes that the US computer company's new "Macintosh PowerBook" notebook computers will become the market laader. Page 14

STERLING
New York lunchtime:
$1.716
London:
$1.719 (1.725)
DM2.905 (2.8125)
FFr9.915 (9.9325)
SFr2.545 (same)
Y224.75 (223.75)
£ Index 90.4 (same)

GOLD
New York: Comex Dec
$365.9 (364.4)
London:
$363.4 (360)

N SEA OIL (Argus)
Brent 15-day Dec
$22.55 (same)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.6923
FFr5.7695
SFr1.4838
Y130.7
London:
DM1.6905 (1.6885)
FFr5.7675 (5.7575)
SFr1.4805 (1.4755)
Y130.7 (129.75)
$ Index 64.6 (64.5)
Tokyo close:130.6

US lunchtime rates
Fed Funds $5\frac{3}{16}$%
3-mo Treasury Bills:
yield: 5.177%
Long Bond:
$100\frac{13}{16}$
yield: 8.035%

STOCK INDICES
FT-SE 100:
2,575.7 (-25.4)
FT-SE Eurotrack 100:
1,097.89 (-1.12)
FT-A All-Share:
1,242.46 (-0.8%)
New York lunchtime:
DJ Ind. Av.
3,055.46 (-21.69)
S&P Comp
389.47 (-3.03)
Tokyo: Nikkei
25,016.81 (+121.99)

LONDON MONEY
3-month Interbank:
closing $10\frac{7}{16}$% ($10\frac{15}{32}$%)
Liffe long gilt future:
$93\frac{25}{32}$ ($94\frac{17}{32}$)

EniChem in jobs deal with unions

By Robert Graham in Rome

THE tortuous process to restructure Italy's ailing chemical industry has cleared an important hurdle after s weekend accord between EniChem, the chemicals subsidiary of the state energy concern, Eni, and the *unions*.

The accord allows EniChem, ths world's ninth biggest chemicals group, to go ahead with a L8,200bn (£3.77bn) four-year business plan in limbo for almost six months. But the company has had to water down job losses and prolong the life of some plant, after pressure from unions and government worried about employment in the south, Sardinia and Sicily.

This seems to be the price for the government, always sensitive about state company job losses in the south, being willing to back the plan. Last week, chemical workers struck at EniChem plants and threatened continued indnstrial unrest if the company persisted with its original job-cut proposals.

EniChem already has 5,000 workers laid off and had planned a further 2,800 lay-offs out of the 44,000 work force. It has now accepted to retain an extra 450 workers and ensure *that 3,000 of those laid off* will go into early retirement. It has also agreed to delay closure of its scrylic fibres plant at Villacidro, Sardinia, and ensure that workers at the loss-making fertiliser plant at Crotone, Calahria, will find alternate employment. It will also seek means to sustain the fertiliser plant at Gela in Sicily.

These measures are timid compared to restructuring by EniChem's international competitors. But the union deal reflects EniChem's continned socio-economic role in the sonth, which the politicians are reluctant to alter. The plan aims to rationalise fertiliser capacity, emphasise core business by exploiting EniChem's petrochemicals plant, and move into products with higher added value. The union accord should help the search for a partner to exploit EniChem's polyethylene capacity.

German 'wise men' see no rising star in east

The economic collapse is over in former east Germany, writes **Quentin Peel**, but there is no sign yet of sustained recovery

THE COLLAPSE of the former East German economy has ended, hut there are no signs of any sustained recovery yet, according to the five leading German economic institutes.

Their annual economic survey is extremely cautious throughout in its prognoses, especially on the east. It is sharply critical of a range of policies instituted by the federal government, the Treuhand agency responsible for privatisation, and the local authorities in the so-called "new *Bundesländer*".

At the same time, it recognises that many of the reasons for the collapse of the eastern economy in the year *after unification have been inevitable* and irresistible.

In the first place, the wise men of the institutes forecast a 10 per cent recovery in eastern economic output next year, but they stress repeatedly that this cannot be seen as the beginning of a sustained upswing.

"It is more like a technical recovery after the collapse, rather than anything more substantial," according to Dr Heiner Flassbeck of the Berlin-based German Institute for Economic Research.

"Evidence of a broadly based, sustained economic recovery, in whose wake would come rising demand for labour across the whole east German economy, is simply not yet to be found," the survey says. "The most recent slight reduction in unemployment cannot in any way be seen as a turning point for the development of activity, hut as evidence of the massive application of labour market support measures."

Current unemployment, which stood at 1.03m in the east in September, is less than feared, but greatly understates the extent of adjustment over the past two years. Sinca the end of 1989, the nnmber gainfully *employed* in the east has dropped by as much as 3.5m from almost 10m.

Those losses, from the complete closure of swathes of public sector jobs required under the old central plan – for example in trade and supply organisations – and from over-employment thronghont productive industry, have been disguised by a variety of factors.

They include large numbers on short-time working, involved in job-creation (*Arbeitsbeschäftigung*) schemes, taking early retirement, and commuting to the west.

The survey forecasts a further increase in unemployment to a peak of around 1.5m next summer, hut still falling short of the most gloomy estimates of up to *4m-5m*, which circulated at the time of unification.

The economists point to very erratic performance of the different sectors in the eastern economy, and warn that the easiest options for privatisation may have been exhausted. Thus privatisation of small shops, bars, restaurants and guest-houses (but not hotels) has been virtually completed, but is still modest to the industrial sector, and virtually non-existent in agriculture.

By the end of September, the Treuhand had privatised some 3,800 enterprises in the industrial and commercial fields, hut 40 per cent of them were in services, construction, agriculture and forestry. It is still extremely difficult to assess the *success or failure of the operation*, the authors say.

Thus the Treuhand cites a figure of DM85bn (£29.3bn) in promised investments under its sales contracts, with 720,000 jobs guaranteed. A further 2m *are employed in enterprises still* under Treuhand control which, the institutes fear, may prove more difficult to privatise, because the most attractive enterprises have been sold first.

If all the energy investment is taken out of the figure, it falls to DM55bn, or some DM80,000 per job, spread over several years, they say. If vehicle manufacture is taken out, the figure falls to DM60,000 per job. "in the light of the very high restructuring needs of businesses in east Germany, that seems far too little," the survey says.

The authors go on to criticise the slow sales of land, the slow privatisation of agriculture, and the excessive expectations for a rapid recovery in east German industry.

In manufacturing industry, the survey notes the relatively optimistic forecasts of the new eastern businesses. A majority surveyed by two of the institutes in recent weeks expect *a significant* recovery in the second half of the year. But the authors warn that most Treuhand-supervised businesses failed to achieve their turnover forecasts in the first half.

Three-quarters expect to be competitive *within two years* – and *yet their* answers betray a lack of awareness of the competitive pressures, including their failure to adapt their products for western markets. The outlook, the survey says, is particularly unfavourable *for the electrical, machine engineering*, textiles and chemical industries.

The survey reserves its grimmest warning for the effect of the pressure to raise eastern wages to a western *level in a very short period*.

This could undermine the competitiveness of large areas of eastern indnstry, leaving only islands of higher prodnctivity created hy western investment, and distorting the economic basis of the eastern economy for years to come.

Finns take steps to cut cost of labour

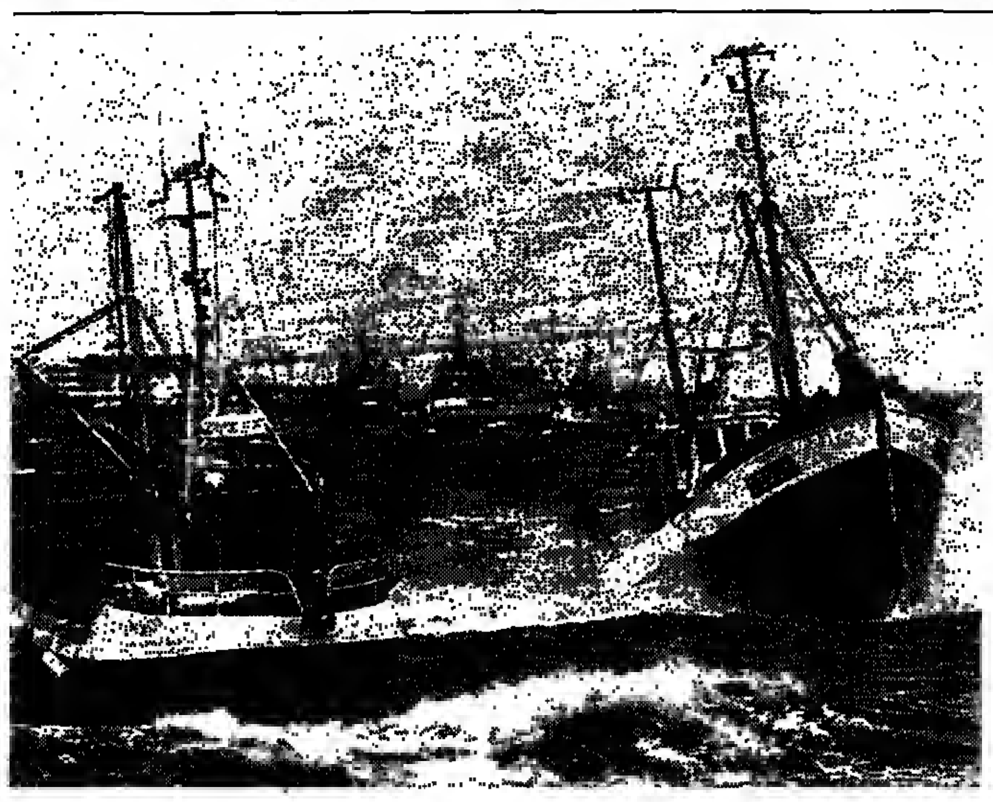
By Enrique Tessieri in Helsinki

FINLAND'S employers and unions yesterday agreed a two-year deal which will cut labour costs by 6.9 per cent.

Under the agreement, to run from next January to October 31 1993, the labour savings will take the form of a 3.3 per cent cut in employers' social security payments, a 3 per cent cut in employees' wages and holiday bonuses, and a 0.6 per cent cut in the amount paid annually as an age increment.

Finland is in severe recession and faces record unemployment and bankruptcies this year as well as high labour and production costs.

In order to lower the cost of *living, the government* yesterday promised anti-trust laws and relaxed import restrictions to anhance domestic competition, especially in agriculture; and more housing subsidies to bring down rent and property prices. A central bank official said the agreement should help cut inflation from around 4 per cent this year to 1 per cent in 1992.



SEVERAL hundred fishing boats blocked Norwegian ports for a second day yesterday in protest against any move to give European Community fishermen better access to their waters, AP reports from Luxembourg. Fishing quotas were one of the issues the 12 EC and seven Efta nations were trying to agree yesterday as they struggled to finalise an ambitious free trade accord. Some progress was reported, but the talks have dragged on for 16 months and yesterday's session was seen as a last-ditch bid to salvage them.

Serbs close ranks against EC constitutional plan

By Laura Silber in Belgrade

SERBIA'S president, Mr Slobodan Milosevic, is supported by opposition parties in the repuhlic in rejecting the constitutional plan for Yugoslavia presented by the European Community in The Hague last week.

Montenegro, normally a close ally of Serbia, accepted the document because its population is mostly contained within its own borders and it did not thus fear the consequences of independence.

But Serbia ruled out the plan, which calls for an association of independent republics, because 2.5m Serhs live in neighbouring Croatia and Bosnia-Hercegovina.

"The proposal... takes into account the Slovene and Croat aspirations for independence but leaves 2.5m Serbs who live outside Serbia's borders as a national minority in an independent Croatia and Bosnia-Hercegovina," said Mr Dragoljuh Micunovic, leader of the centrist Democratic Party.

The proposal, which was loosely based on the same principles as the EC charter, does not take into account the de facto changes in Croatia's borders caused hy Serhian inroads since Slovenia and Croatia declared independence in June.

The Serbs, who believe they are fighting the continuation of the Second World War, refuse to contemplate an independent Croatia. Their armed uprising in Croatia over the past few months shows that this refusal is not political posturing.

Serbia under Mr Milosevic's authoritarian rule sppears ready to risk international isolation, because the alternative for him would have been political suicide. If he had accepted the document there could well have been violent protests among the Serbs in Bosnia and Croatia. This might even have led to his replacement by a still more nationalist and uncompromising leader. Among the most likely contenders would be Mr Vojislav Seselj, an ultra rightwing leader who runs his own private army.

Mr Micunovic hopes the EC will now offer what moderate Serbs would see as a more feasihle option – putting more emphasis on regions defined by ethnic groups, who would he given political autonomy but united by a common market.

He adds: "If Serbia were more democratic and represented hy someone less demonised and hated than Milosevic, then the EC would probably have paid more attention to the Serbian argument."

Sporadic hattles flared in Croatia yesterday despite a ceasefire. The rebel repnblic's radio said a "cataclysm" of fighting had damaged beyond recognition four tonrist towns near Dubrovnik, Reuter reports.

Cold and rain tempered fighting on some fronts but the Yugoslav army and Croatian forces fought mortar and artillery dnels in Nova Gradiska and Novska in central Croatia and around Vukovar in the northeast, Tanjug news agency said. Nine deaths were reported.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfort Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Italy's unions in show of force over spending cuts

By Robert Graham in Rome

ITALIAN industry and public services will be paralysed today by a four-hour general strike called by the country's three main union federations in protest at public spending cuts proposed in next year's budget.

The strike is going ahead despite concerted efforts by the government to appease the unions and several changes already made to the budget presented on September 30. The government has halved the increase in prescription charges, one of the most unpopular items.

The strike is being exploited by the unions to demonstrate their muscle at a time when the privileged position they have held in post-war Italy is coming under increasing pressure. They are involved in tough talks with government and employers on reducing labour costs, including ending the indexation of wages via the *scala mobile* and removing rigidities in the labour market which are making industry increasingly uncompetitive.

In talks with Mr Giulio Andreotti, the prime minister, last week, union leaders said they were being expected to make sacrifices without clear evidence of equivalent gestures from the employers or adequate support from the government. But they also fear that the government's inability to reduce the large public sector deficit will accelerate the privatisation process, which in turn will lead to heavy job losses.

This is the first general strike since May 1989 and the fifth in 11 years. It has been called by the CGIL, the main federation controlled by former Communists, the Christian Democrat-run CISL and the Socialist/Social Democrat UIL. The strike comes only two days before the CGIL's annual congress, which is expected to discuss fresh initiatives to forge greater unity among the three federations.

The stoppage will last from 9am to 1pm. Banks, schools and public offices will not open and no newspapers will appear. In industry the stoppage is due to be observed for four hours at the beginning of each shift. Only two international flights and 12 long-distance trains are being permitted.

Train services and Alitalia flights were disrupted last week by unofficial strikes and tomorrow petrol pump attendants are due to begin a 24-hour stoppage.

Italian plan for oil tax spin-off for third world

By Haig Simonian in Milan

A FIFTH of the new oil tax proposed by the European Commission should be diverted to energy projects in developing countries and eastern Europe, Mr Giorgio Ruffolo, the Italian environment minister, said yesterday at an international conference on energy technologies.

The controversial $10-a-barrel oil levy, which is expected to raise around $60bn a year from EC member states, will be used exclusively to fund international research into saving energy, under the Commission plans.

Under the Ruffolo scheme, presented at the opening session in Milan of an international conference on environmentally sound energy technologies, 20 per cent of the proceeds would go to finance transfers of energy-saving technology to developing countries. The move, he said, would also help curb increases in "greenhouse" gas emissions and bring the amount of aid distributed to the third world to internationally agreed levels.

Mr Ruffolo later said his initiative had already received a sympathetic reception from fellow EC environment ministers meeting last week.

The idea will be taken up again at a joint meeting of EC environment and industry ministers in December.

The Milan conference, part of a series of international meetings being held ahead of next year's World Environment Conference in Rio de Janeiro, has brought together around 250 international specialists in energy and environmental issues.

The Commission's proposed oil tax, which has been welcomed by some environment ministers, has had a mixed reception from other government departments.

Speaking in Milan yesterday, Mr Guido Bodrato, the Italian industry minister, said that the scheme would only be acceptable if it covered all developed countries and all energy sources, not just oil, as it was necessary to prevent distortions in international competition.

The Soviet Union's revamped parliament meets for the first time

New faces appear in the old club

By Leyla Boulton in Moscow

"A GREAT club with a good buffet!" was how Mr Vladimir Lukin, a Russian deputy, summed up the emasculated Soviet parliament which convened for the first time yesterday.

It was not just the linoleum in the smoking-room which had been replaced. The Supreme Soviet's very composition and role had changed. New faces, such as Mr Sergei Shakhrai, a leading reformer in the Russian parliament, showed up for the first time, while old-timers, such as Colonel Viktor Alksnis, co-chairman of the once-influential conservative Soyuz (Union) group, were reduced to the role of observers.

The main attraction of yesterday's proceedings was President Mikhail Gorbachev, who said the parliament was a constituent assembly with a mission to "decisively advance democratic reforms in all directions".

Gorbachev in parliament yesterday: the assembly has a mission to advance democracy, he said

The highlight of his speech was a warning to republics such as the Ukraine against trying to take over the Soviet armed forces stationed on their territory. "This is not a joke, this is dangerous," he told the deputies, saying that "constitutional" measures would be taken to prevent what he called the privatisation of armed forces.

Although his political adviser, Mr Georgy Shakhnazarov, could not spell out what such measures might be, he ruled out the use of force. He said he believed that, with time, republics would eventually rally round to "common sense" and join a new political and economic union.

"If republics want to go off and join Nato and the EC, let them try, and if they succeed, good for them, we'll all join," he said. "But will the EC agree to give them gas, oil, and coal? Will it send in troops to stop people fighting with each other? I think not."

The new-look parliament is the product of last month's revolutionary Congress of People's Deputies which transferred political supremacy to republican parliaments after the abortive August coup. Designed as a temporary legislature until the shape of the future Soviet Union is decided, it is made up of two chambers chosen and controlled by the republics.

But it is already a casualty of the gradual break-up of the Soviet Union, since only seven of the 12 Soviet republics sent delegates. Azerbaijan and Moldova dispatched observers. The Ukraine, Georgia, and Armenia boycotted it altogether.

Mr Sergei Alexeev, chairman of the Constitutional Compliance Committee (the closest thing to a Soviet constitutional court), said the parliament's role would to be "stabilise" legislation and eliminate discrepancies between Soviet and republican legislation which previously paralysed the country.

Although the old centre is dead, there is still a need to eliminate old legislation which serves no purpose or is harmful – and there may even be room for new common legislation to help usher in a new union if that materialises.

"The transition away from the old Communist system must be achieved in a civilised manner," said Mr Yuri Afanasyev, a historian and leading radical deputy.

"If it serves this purpose, then the parliament will play a constructive role. If it tries to play some sort of super-national role, higher than states, then it will be a shameful phenomenon."

Court rejects probe appeal by Goodman

By Tim Coone in Dublin

THE DUBLIN High Court has rejected an appeal by lawyers for Goodman International, Europe's largest beef processor, to limit the scope of an inquiry into the Irish beef industry.

The private company, headed by Mr Larry Goodman, is the principal focus of an investigation by a parliamentary-appointed tribunal which was set up last June, following allegations of fraud and malpractice in the beef industry.

Lawyers acting for Mr Goodman and his company argued that the tribunal was unconstitutional and that airing the accusations in public would prejudice the possibility of a fair trial, should any formal charges be made. High Court Judge Declan Costello rejected the appeal saying that the powers of parliament to carry out investigations of public importance woud be severely curtailed were he to rule in the company's favour.

A spokesman for the company said yesterday that it intended to appeal against the ruling in the Supreme Court.

Plea to Kohl on office equipment factories

By Chris Parkes in Bonn

LAST-DITCH appeals from unions and local authorities yesterday raised slight hopes of a reprieve for workers at the Olympia and Triumph-Adler office equipment factories in Wilhelmshaven and Frankfurt.

The Baltic city of Wilhelmshaven asked Chancellor Helmut Kohl to intervene personally to save the AEG subsidiary, Olympia, which is due to cease trading at the end of the month, after years of losses.

Some 2,700 of the company's 4,000 workers are employed in and around the town.

The loss of these jobs, coupled with planned cuts in the German navy, would send local unemployment soaring from the present level of 15 per cent to 28 per cent and cause "chaos" in the region, officials of the port city have warned Mr Kohl.

The Olympia supervisory board said later, without giving any further details, that it would put forward a plan on Friday "to secure the future of the Olympia name".

The AEG management recently turned down a proposal that the Wilhelmshaven local government should take a majority stake in its loss-making subsidiary.

In Frankfurt, Mr Giuseppe Giacobbe, managing director of Triumph-Adler, a subsidiary of Olivetti, suggested that new jobs could be created for about 200 of the 650 people who are threatened with redundancy there.

The powerful IG Metall union has been campaigning vigorously against the planned closure.

During more than three hours of talks with the union yesterday, Mr Giacobbe proposed replacing the existing factory with a smaller plant, which would assemble lap-top computers and supply plastic parts to other Olivetti subsidiaries.

Mr Heinz Bierbaum, a local union leader, said that the offer was "not an acceptable alternative". However, he added that the offer in itself "shows there is some movement".

Swiss voters serve notice on government

By William Dullforce in Geneva

THE SWISS have served a warning on the centre-right coalition that has governed them since 1959 by voting in larger numbers than expected for extremist groups in last weekend's general election.

With only a few votes left to be counted yesterday, the Auto party, which campaigned in the German-speaking region for tougher curbs on immigrants, had increased its representatives in the lower chamber from two to eight.

In recent months there have been several arson attacks on houses harbouring immigrants.

The Swiss Democrats, another anti-immigrant group, had won five seats, two more than they held in the current parliament, while the Lega dei Ticinesi, a newly founded populist party in the Italian-speaking canton, had secured two places.

To the left of the coalition the Greens had increased their representation from nine to 12.

Switzerland's legendary political stability has been preserved but the four-party coalition has seen its dominance cut from 159 to 146 in the 200-member lower chamber.

Within the coalition, the conservative Radicals managed to retain their position as the biggest party but saw their number trimmed from 51 to 44. The Christian Democrats also suffered a setback, losing six seats, reducing their representation to 36.

Late-reporting cantons deprived the Social Democrats of their early gains; with the possibility of one more seat still open they were stuck at the 41 they had held in the outgoing legislative.

The fourth member of the coalition, the People's Party, had retained its 25 seats.

As the swing to the right among voters became evident, re-elected members of the coalition renewed calls for a revision of the system by which the seven-man federal council (government) has been elected and has conducted its business for the past 30 years.

If the immigration issue and dissatisfaction over inflation, the housing shortage and high health costs appear to have been the main factors behind the switch in votes, there have also been complaints about the government's incapacity to agree a clear policy on future relations with the European Community.

Hanoi accepts forced return of 250 refugees

By Angus Foster in Hong Kong

THE FULL repatriation of all Vietnamese boat people from Hong Kong who do not qualify as genuine refugees moved e step closer yesterday when Vietnam agreeed to take back a small oumber of boat people, even if they do not want to go.

However, Vietnam is unlikely to agree to widen the scope of the agreemeot before the first flight of boat people is sent bome, probably in mid-November.

This follows an announcement *yesterday that* Vietnam is prepared to accept the forced return of ebout 250 "double backers", people who have left Vietnam twice, and their families. The decision cleers the way for Hoog Kong to implement the first forced repatriation since 1989, when the colony was widely criticised, mainly by the US, for sending back 51 people against their will. This time US criticism is expected to be muted.

The agreement fell short of expectations because it does *not address the more sensitive* question of the almost 20,000 boat people in Hong Kong classified as economic migrants and therefore not eligible for resettlement in the West. Some of these boat people have been in Hong Kong for three years or longer end are likely to resist with force moves to send them back.

But government officials described the agreement on double backers as the "first step" and were confident of further agreements in the next few weeks. They said Vietnam remains committed to accepting all non-refugees but is cautious about the pace of returns.

Hong Kong also hopes the agreement, althongh limited, will persuade more boat people to return voluntarily rather than face possible forced repatriation. A forced return of boat people could also dissuade more people from leaving Vietnam.

Vietnam first indicated it was prepared to accept forced repatriation during talks in September. British officials *believe Vietnam wants* to solve the boet people prohlem to improve its ties with Asean neighbours following the expected signing of the Cambodian peace accord tomorrow in Paris.

The agreement was expected last week bnt was delayed following internal differences within the Vietnamese government and worries about the logistics of receiving and resettling thousands of boat people. During talks last week in Hanoi, one option to announce full agreement and then iron out details was shelved and a decision mede to move ahead step by step.

Under the agreement Hong Kong will give Vietnam two weeks' notice of the names of returnees. Hong Kong is expected to deliver e list of names to the Vietnamese soon and will try and persuade the double backers and their families to *volunteer rather than* be forced home.

The next ohvious category for forced repatriation will be recent arrivals because these *people have not been subjected* to peer pressure.

Vietnamese boat people arrive in Kong Kong. Vietnam has agreed to allow forced repatriation in some cases

UK group loses Kuwait deal to US rivals

By Victor Mallet, Middle East Correspondent

A CITY of London consortium bidding to advise Kuwait on claiming compensation for Gulf war damages has lost the lucrative contract to two American rivals, including the US affiliate of one of its own members.

The City Kuwait Group (CKG), which included accountants KPMG Peat Marwick of the UK and lawyers Clifford Chance of London, was beaten when Kuwait awarded *separate* contracts to KPMG Peat Marwick of the US and the American lawyers Cleary Gottlieh Steen and Hamilton.

Lord Limerick, CKG chairman and former head of the British Invisihles Gronp, epeaking at e conference in London yesterday on Kuwait's future, expressed disappointment that the Kuwaiti government had not adopted the group's package for dealing with Kuwaiti compensation claims to be presented to the United Nations.

Privately, CKG members are bitter that they lost the contract – worth tens of millions of dollars – despite British political support from the prime minister down, and are outraged at the involvement of KPMG Peat Marwick of the US.

"It caused an unholy row," said one lawyer yesterday. "All the people involved were absolutely furious."

Mr Hamoud al-Roqba, the Kuwaiti oil minister, said yesterday that the last 58 of the 732 wells set ablaze *or destroyed by Iraq during* the Gulf War would be capped by early November.

Memhers of CKG say that KPMG Peat Marwick in London is embarrassed by the outcome because it was apparently not aware of the approaches being made to Kuwait by its US sister organisation until late in the day.

Mr Bruce Bingham of KPMG Peat Marwick in New York yesterday described the US and UK arms of the firm as "separate partnerships" and confirmed that the US partners would be establishing neighbourhood offices in Kuwait to process claims.

Although they have lost the chance to sell a consolidated compensation plan to the Kuwaitis, the various loss adjusters, financial and legal experts making np the CKG are still hoping to work on peripheral Kuwaiti contracts or are already doing so.

They are particularly disappointed at losing the bulk of the compensetion work *because Sheikh Saad al-Sabah*, the Kuwaiti Crown Prince, and Sheikh Ali Khalifa al-Sabah, the then finance minister, were enthusiastic when Lord Limerick *first presented the proposal* to them in April.

Thereafter Sheikh Ali was dropped from the Finance Ministry and the Kuwaiti government decided to distribute the compensation work to different groups. Rivals of the CKG suggested its package was too expensive.

British businesses have lost visible as well invisible trade in Kuwait after a promising post-war start. Delays in finalising e contract for e British oilfield firefighting consortium known as the Kuwait British Group (KBG) has already cost the group part of the firefighting component of its work.

Britain remains the odd man out

By Robert Mauthner and Michael Holman in Harare

BRITAIN yesterdey remained tha odd man out on South Africa in Harara in spite of e more moderate Commonwealth stance on the lifting of sanctions.

The final communiqué of the six-day Commonwealth heads of government conference reflected efforts to reach a consensus, hut the gap that remained over the issue was underlined in a paragraph setting out the British position.

In contrast to the rancour and controversy that has marked snccessive Commonwealth conferences over the past decade, the Harare meeting succeeded in healing many of the wounds left by the clashes between Mrs Margaret Thatcher, the former prime minister, with her partners over South Africa.

The comhination of progress towards a peace settlement in South Africa and the more conciliatory approach of her successor, Mr John Major, helped creete a remarkahly cordial and constructive climate.

In Harare, Commonwealth leaders who welcomed the important changes that had taken place in South Africa in the last 20 montbs unanimously agreed to lift so-called "people to people" sanctions immediately. These include consular and visa restrictions, cultural and scientific hoycotts and bans on tourist promotion and direct air links.

They also agreed that the UN arms embargo should stay until a democratic post-apartheid government was established. Unanimous agreement was not possible, however, on the timetable for lifting financial sanctions, such as access to IMF and World Bank resources, and trade and investment sanctions.

Britain, however, which has already resumed normal trade and investment ties with South Africa, stressed that it was dissatisfied with the pace at which its partners proposed to lift sanctions.

Britain did, however, succeed *in softening* the terms recommended by the Committee in New Delhi last month and which served as the basis for discussion at the Harare conference. The communiqué states that trade sanctions should be lifted "when appropriate transitional mechanisms had been agreed which would enable all the parties to participate fully and actively in negotiations."

Financial sanctions, the communique continued, should be lifted either "when agreement is reached on the text of a new democretic constitution" or "by agreement at Sonth Africa's all-party conference or hy an interim government." The original draft did not offer the second and third options.

UK premier defends declaration

By Robert Mauthner and Michael Holman

MR John Major, the British prime minister, yesterday made e spirited defence of the Commonwealth declaration of principles issned on Sunday, and rejected claims that its pledges on democracy and human rights would prove to be ineffectual. "I think it [the declaration] is e mixture of carrot and stick."

All the member governments had put their name to matters that collectively came under the term of good government, even if the term itself was not used.

Mr Major said there had been "a rehirth of democracy around the world", but admitted the declaration did not *provide for any obvious mechanism* for enforcing pledges on democracy and human rights.

The force of "peer pressure" and the extent to which conntries were increasingly interdependent would have a big influence on countries which fell short of the principles adopted.

He underlined the unanimous agreement reached by the heads of government on the need for a successful ontcome of the Uruguay Round of trade negotiations. "Failure would be an absolute hammer blow for the developing countries. The cost to them of protectionism in the industrial world currently exceeds the total value of aid they receive from the industrial world."

Japanese markets expect rate cut

By Robert Thomson in Tokyo

JAPAN'S money supply expanded hy a low 2.2 per cent last month, down from a revised 2.7 per cent growth in August, heightening stock and bond market expectations of a cut in official interest rates this week.

The low growth reflects the continued slowing of economic activity in Japan, and intensified the dehate between the Bank of Japan and political and industrial leaders, who fear that companies are being starved of funds and that the economy is in danger of stalling.

But the Bank of Japan said the decline was partly explained hy the transfer of funds from bank accounts to postal savings accounts, which are outside the M2 plus certificates of deposit measure, and hy a slowdown in bank lending.

It said that hanks have money to lend, but companies have used other sources, inclnding cash reserves, to fund their investments.

Central bank officials have argued in recent days that there is no need for a change in monetary policy, hnt the release of the money supply figures yesterday prompted Japanese politicians and industry leaders to call for an immediate reduction in the official discount rate (ODR), which stands at 5.5 per cent.

Mr Russell Jones, senior economist at UBS Phillips & Drew, said that the flow of money into postal savings, which offer higher interest rates, naturally increases wben market rates fall. He said these transfers have exaggerated the slowdown in money supply expansion.

"The low growth is not a threat to economic health at the moment, but it is becoming e threat. It bas just ebout reached the stage when the hank will need to do something," Mr Jones said.

Korean talks restart as nuclear fears mount

By John Ridding in Seoul

MR Chung Won Shik, South Korea's prime minister, will travel to North Korea today to resume a series of high level talks which are aimed at improving relations and easing tensions across the heavily militarised Korean border.

They come at a time of growing concern aboot North Korea's nuclear programme and increasing economic and diplomatic pressures on the North Korean regime.

The talks, which have heen postponed from February this year and which will be held in Pyongyang, are the fourth in a series of meetings between the prime ministers of the two countries.

"We are hopeful for progress," said Mr Lee Dong Bok, special assistant to the prime minister and a member of the South Korean delegation.

"North Korea is under unusually heavy pressure to change and we have been preparing a very flexible position on most of the outstanding issues," he said.

But western diplomats in Seoul said that they expected little progress on the issue of North Korea's nuclear programme, the subject of greatest concern. South Korea and its allies believe that North Korea will he ahle to produce a noclear device by the middle of the decade.

Religious tensions grow in Ayodhya row

By David Housego in New Delhi

TENSION between Hindus and Moslems in northern India rose sharply yesterday as Hindu militants embarked on the final phase of their campaign to build a new Hindu temple et Ayodhya on land claimed by Moslems.

Leaders of the Vishwa Hindu Parishad (VHP), the Hindn crusading movement, took part in religious ceremonies et Ayodhya in Uttar Pradesh intended to mark the beginning of construction.

At the same time Mr Ashok Singal, the VHP leader, made *what he called* a *"last appeal"* to Moslems to hand over voluntarily the 16th century Babri mosque that stands in the way of the completion of the temple.

The controversy over the temple has become the most divisive issue in Indian politics. in recent days minor temples and buildings close to the mosque have been pulled down preparatory to construction work beginning.

Moslem organisations yesterday condemned the state government's compulsory acquisition of the disputed land around the mosqne and warned that demolition of the mosque "will tear the fabric of *our secular society*".

Over the past two years, the dispnte has provoked widespread rioting and bloodshed.

South African ore for Japan

JAPANESE steel companies ended their "self-restraint" in trade with South Africa by signing an iron ore import contract in advance of today's announcement that Tokyo has lifted economic sanctions egainst Pretoria, reports *Emiko Terazono from Tokyo.*

Nippon Steel, the largest Japanese steel maker, said it and five other companies – NKK, Kawasaki Steel, Sumitomo Metal Industries, Kobe Steel and Nisshin Steel – have finalised e five-year ore contract.

Zaire slides towards chaos

By Julian Ozanne in Nairobi

PRESIDENT Mobntn Sese Seko'e continued sahotage of ettempts to install a credible government to pull Zaire out of severe economic and political crisis threaten to plunge the country back into violeot upheaval.

Troops of the élite presidential guard yesterday fired teargas and shots into the air to disperse thousands of pro-democracy demonstrators who gathered to support Mr Etienne Tshisekedi, the sacked opposition prime minister, in his failed bid to enter his office.

The tussle between the two men came after state-run television yesterday carried Mr Mohutu's official decree dismissing Mr Tshisekedi – the man ha was forced to name as prime minister after riots and looting last mooth wrecked the capital Kinshasha and left 250 people dead.

Amid signs of growing tension yesterday, soldiers set up roadblocks and checkpoints on roads leading into the city and blocked access to embassies where demonstrators tried to take refuge.

Western diplomats believe an opposition-led interim government with substantial powers wrested from the president is the only hope to prevent the country slipping towards chaos.

France and Belgium, who still have paratroops in Kinshasha, have made it clear to Mr Mobutu that such a government *is* a *pre-condition* for their support and assistance.

Yesterday's move by Mr Mobutu, after three weeks of political impasse, suggest any optimism the president was willing to share power in the interests of national unity and stability has been ill-founded.

Mobutu: intervention

Environment agencies start to flex their muscles

John Hunt on some far-reaching proposals on population control, energy conservation and pollution

AN INTERNATIONAL plan was unveiled yesterday to "harness the total resources of *humanity*" to improve the glohal environment hy measures which include massive reductions in energy consumption and the use of natural resources in industrialised countries.

The proposals, put forward hy the United Netions Environment Programme (UNEP), the world conservation union (IUCN) and the World Wide Fund for Nature (WWF), envisage the establishment of a new world organisation – probably based on the United Nations – to co-ordinate environmental protection and encourage sustainable development which does not deplete natural resources.

The report, entitled "Caring for the Earth," suggest that the UN general assembly could co-ordinate the system through its committees and produce annual reports on the state of the world environment.

It calls for e global alliance of governments committed to a "universal declaration" on sustainable growth and environmental protection which would be signed by all countries by the year 2000. The alliance would have the hacking of business and industry, religious leaders and citizeos' groups.

Launching the report in London, the Duke of Edinhurgh, president of the WWF, warned that unless population growth was halted soon world resources would no longer be able to support humanity's naeds and economies would face collapse.

The report was given the backing of the UK government hy Mr Tony Baldry, junior environment minister, and was also endorsed hy Mr Neil Kinnock, the Labour Party leader, and Mr Paddy Ashdown, leader of the Liberal Democrats.

The result of three years' work hy scientists and conservationists, it was launched simultaneously yesterday by national leaders and public figures in 65 cities throughout the world including London, New York, Paris, Bonn, Tokyo, Moscow and Beijing.

A programme costing \$1,288bn (£745bn) over the next decade is proposed and would involve increased aid for developing countries and measures to curb population growth. The cost would partly be met by a switch from world military spending curreotly estimated at \$900bn a year.

The report contains over 130 proposals and is intended to influence politicians attending next June's "Earth Summit."

"The resources of the planet are already over-stressed," said Mr Charles de Haes, director general of WWF International. "Governments must act but they will only succeed with their peoples' support."

With regard to energy and raw materials, tbe proposals urge high energy use countries to reduce per capita energy consumption to 80 gigajoules a year. This would mean buge reductions in energy use by the US (currently 280 gigajoules) and Britain (now 150 gigajoules). They should redoce energy consumption by one per cent a year until the end of the century and two per cent annually afterwards.

Those with consumption at or just below 80 – snch as Israel and Venezuela – or far below this level, such as China and Bangladesh, should not exceed it as they industrialise further.

High consumption countries should introdnce economic incentives and taxes to encourege economy in energy and raw materials and abolish subsidies that distort resources prices. "Taxes on raw materials could be set similarly to encourage more efficient technologies, more use of renewable resources and more durable products," the report states.

On economic measures, the report suggests that environmental quality and netural resources should be properly valued in national accounting in order to achieve sustainable development. There should be e "true statement" of national incoma showing depreciation or preservation of natural assets.

Individual companies should commit themselves to sustainability and environmental excellence and the minimisation of raw material and energy use. They should disclose the results of environmental monitoring of their activities and not use commercial confidentiality to frustrate the release of information.

Charges for polluting the atmosphere should be higher than the cost of removing that pollntion. The report believes this would "motivate industry to prevent pollution and promote development of anti-pollution technology."

The report says that since the mid-18th century the concentration of carbon dioxide had increased by 27 per cent, *seriously affecting* global climate. By the year 2005 higher income countries should have cut emissions of carbon dioxide by 20 per cent from 1990 levels. Carbon dioxide is the main contributor to global warming.

High income countries should by the year 2010 have cut sulphur dioxide emissions, which causes acid rain, by 10 per cent of 1980 levels and manufacture of CFCs (chlorofluorocarbons) should have stopped. CFCs damage the ozone layer which screens life from damaging levels of ultra-violet radiation.

Net global forest depletion should have ceased by the end *of the century* and all countries should have adopted comprehensive strategies to safeguard the biological diversity of their plant and animal life.

On the question of population growth, chances of a satisfactory life, says the report, are remote unless present rates of population growth are drastically reduced." All countries should bring down fertility rates to 2.1 children – the stable replacement level – as rapidly as practicable with most countries attaining this goal by 2010 at the latest.

Beijing issues renewed warning about finances

DESPITE improvements in China's economic performance, the government's financial situation remains troubled, crushed under the weight of subsidies and loss-making state enterprises, a senior official said yesterday, Reuter reports from Beijing.

"The national economy has regained normal growth," Zhang Zhongji, spokesman for the State Statistical Bureau, told a news conference. "Nevertheless, some problems and unstable factors remain in the performance of the national economy. First and foremost is the difficult situation of government finance."

After the collapse of communist rule in eastern Europe and the Soviet Union and the devastating economic problems there, Beijing's hardline communist leaders have staked their legitimacy on the results of continued economic reform, diplomats said. Store shelves are stocked with food and vegetables and private stalls offer a wide variety of goods.

Beijing may be mortgaging its future, however, with huge subsidies to keep prices stable and loss-making state industries afloat. Last week a finance ministry official, Wang Xingyi, told the state media: "Our finances are facing extremely serious problems and the whole financial situation is quite grim."

Zhang said 36 per cent of state enterprises, the cornerstone of the socialist economy, were running with losses in the first three quarters totalling 20bo yuan ($3.7bn).

But there had been some improvement recently, with third-quarter losses on average 5.8 per cent below those of the first two quarters. Total stockpiles of unwanted, unsold goods are now worth more than 500bn yuan, with over 200bn yuan in the plants' warehouses and 300bn yuan in stores and at distributors.

Enterprises are still choked by debt chains as one loss-maker cannot afford to pay back another. Zhang said debts between enterprises now totalled 200bn yuan.

With the government pouring some 17bn yuan in loans into the enterprises to try to clear the debt from the end of last month, Beijing runs the risk of stimulating a burst of inflation, economists said.

Bank loans are growing faster than the economy as a whole "thus aggravating the pressure of potential inflation", Zhang said. Inflation in cities averaged 8 per cent in the first nine months, but was well over 10 per cent in cities such as Beijing and Shanghai. Retail price inflation in the country as a whole rose to 4 per cent in September, against an average of 2.5 per cent in the first nine months.

Gross national product grew a real 6.8 per cent in the first nine months against the same period a year earlier, and Zhang said the rate for the year would be greater than 6 per cent. GNP grew 5 per cent in 1990 over 1989. Industrial production, which grew at 13.9 per cent in the first three quarters, would maintain that level of growth when the whole of 1991 was compared with 1990, Zhang said.

Wages and salaries of urban employees grew a real 6 per cent in the three quarters, while farmers' cash income grew a real 7 per cent.

Chinese economic reform damages health service

Medical care has collapsed in many rural areas, writes an FT correspondent

CHINA'S public health service has seriously deteriorated in the past decade with the adoption of market-oriented economic reforms, according to western experts.

While the country's living standards have generally risen, its co-operative medical care system has collapsed in many rural areas since the communes were dismantled in the early 1980s. "Sanitation and health services have suffered since the communes were disbanded and there is no longer a community financial base to provide for those services," one western observer said.

Agricultural collectivisation formed the foundation for medical care in China in the 1950s when the funds of collective enterprises paid for medical services in the rural areas. In the 1960s, under Chairman Mao, the government pioneered the use of "barefoot doctors", partially trained medical workers who provided rudimentary medical care in the countryside. Their example later served as a model for mnch of the developing world.

Beijing also made the improvement of health care in rural China a top priority. In the 1960s and 1970s co-operative medical care was responsible for basic aanitation, hygiene, health edncation, and public health services such as immunisation and ante-natal care.

All of these services were free or very cheap for most peasants, because they were paid for by the collectives. This is no longer the case. Individuals are now charged a fee for each service provided. This is the primary system of financing medical care in the rural areas.

In the cities, private entrepreneurs or many others working in small non-state run enterprises must also cover their own medical costs.

"The real problem with this fee-for-medical-service is what the Chinese don't pay for. Under the previous system, preventive and educational services, insurance and immunisation were covered and increased the general level of health," one western observer said. With the demise of co-operative medical care, public health has suffered significantly. Disease prevention measures and general hygiene and sanitation are no longer the responsibilities of the village doctor.

Large pnblic heath campaigns have gradually been eroded by lack of funds. For example, hygiene measures, such as testing to ensure that night soil does not leak into the drinking water, are not done as routinely as they should be.

And with the lack of community-based labour, there is no leverage to implement sweeping disease prevention measures, similar to past rat and insect eradication campaigns.

Apart from the gradual decrease of public health measures in the poorer areas, pressure on village doctors to earn more money is growing. Under the new fee-for-service system, doctors are not paid for the range of bygisne, sanitation and educational services they formerly helped to provide.

While doctors were not paid separately under the collective system, these public health services were incorporated into the broad scope of their activities.

In addition to obtaining fees for services, doctors also prescribe and dispense medicine. They now earn royalties from the drugs they sell, in contrast to the time when they were part of a collective and all royalties were simply put back into the collective.

This pressure to sell more drugs than are necessary is exacerbated by the tendency of many doctors to over-prescribe medicine. In some cases, more complicated, expensive forms of treatment, such as intravenous drips to inject medicine, are often used when a simpler, less costly method would suffice, westsrn experts said. From the patient's viewpoint, because a visit to the doctor is now more expensive, many wait looger until they are even more sick and can be attended to at a more sophisticated county clinic.

In the face of all of these problems, the Ministry of Public Health is exploring and experimenting with a wide variety of methods of financing and insurance schemes. It hopes by 2000 to have revamped the system entirely.

"But how will it get better unless tbe state gives them money?" one western expert wonders.

The ministry has also taken steps to raise the qualifications of the "barefoot doctors".

Despite the enormous problems, China's health care system by far surpasses that of many other developing countries. After Japan and Sonth Korea, life expectancy is the highest in Asia.

The country's infant mortality rate and the number of contagious diseases are also relatively low according to western experts. The days when entire villages had to be evacuated because of disease are long past.

The three candidates for the leadership of Japan's Liberal Democratic party at a news conference in Tokyo yesterday ahead of next Sunday's party election. They are (left to right): Mr Kichi Miyazawa, Mr Michio Watanabe and Mr Hiroshi Mitsuzuka. The winner becomes prime minister

UN team in Burma to visit Nobel laureate

A UNITED Nations human rights mission arrived in Burma yesterday to try to visit Ms Aung San Suu Kyi, the detained opposition leader awarded the Nobel Peace Prize last week for standing up to "a regime characterised by brutality", Renter reports from Bangkok.

The mission, led by a Japanese university professor, Mr Yozo Yokota, is to stay in Burma until the weekend, said an official of the UN Development Programme contacted by telephone in Rangoon.

Western and Asian diplomats in Bangkok and Rangoon said Mr Yokota would try to investigate a wide range of human rights issues and seek access to Ms Aung San Suu Kyi.

She has not been seen by outsiders since early this year, when she was spotted from houses overlooking the garden in her compound on Rangoon's University Avenue.

A similar mission last year was denied access to her and other detained dissidents.

Ms Aung San Suu Kyi was put under house arrest in July 1989 after her outspoken attacks on the ruling military junta, which shot dead thousands of people during a mass uprising for democracy in 1988. The regime has jailed or persecuted thousands of opponents.

Mr Yokota will report to the UN Human Rights Commission in Geneva. He declined to comment on his mission when he was contacted before leaving Bangkok.

Last year, the Rangoon government greatly restricted a UN mission led by another Japanese professor, Mrs Sadako Ogata, when it attempted to seek information on human rights violations.

Last Monday, the Nobel committee in Norway awarded Ms Aung San Suu Kyi its annual peace prize for her courage in standing up to the Burmese regime.

Human rights groups, including Amnesty International, have catalogued numerous testimonies of sometimes fatal torture in Burma.

A senior member of Ms Aung San Sun Kyi's National League for Democracy (NLD) died in detention during Mrs Ogata's visit last November.

The junta said Mr Maung Ko committed suicide.

Relatives alleged that heavy bruising all over his body showed he had been tortured to death.

The NLD won the May 1990 general election by a landslide but the junta has refused to hand over power and has arrested most NLD leaders.

The award of the peace prize to Ms Aung San Sun Kyi has intensified international calls for the junta to release her and honour the election result.

Last year, Sweden introduced a motion at the UN General Assembly criticising the junta's human rights record and expressing concern about its failure to step down. It was withdrawn after opposition, but Sweden plans to reintroduce it this year.

Taiwan joins fund in Latin America

TAIWAN, trying to use its economic strength to break out of international isolation, will join the Central American Bank for Economic Integration as a sovereign state after pledging it $150m, Renter reports from Taipei.

Mr Federico Alvarez Fernandez, president of the bank, said Taiwan would become an extra-regional member after approval by member countries, probably by the end of this year. "We believe the island can contribute to the economic development of Central America," he said yesterday.

The multilateral lending institution covers Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, which are among the 29 states that formally recognise Taipei. Nicaragua restored relations last November.

Taiwan will join under its official name, "Republic of China", the island's foreign ministry said.

The bank will be the 11th international organisation to admit Taiwan under its official name. Taipei has had to use different names, such as "Taipei, China", to take part in other groups. The island is locked in a struggle against China for international recognition. Beijing views Taiwan as a renegade province and regularly seeks to prevent it from expanding ties with foreign countries.

AMERICAN NEWS

Bush poised to unveil economic growth package

White House considers middle-income tax cuts

By George Graham in Washington

THE Bush administration is considering cutting taxes for middle-income families as part of an effort to stimulate economic growth, the White House said yesterday.

The move is in response to proposals from the Democrat-dominated Congress for a $140bn tax cut targeted on families earning between $20,000 and $75,000 a year.

President George Bush plans to introduce an economic growth package in the next few weeks, but White House officials have until now indicated they were concentrating on a cut in the capital gains tax rate, coupled with personal pension incentives and tax credits for research and development.

Both Republicans and Democrats in Congress have been calling for tax reductions in an attempt to "jump-start" the economy, which has shown few convincing signs of recovering from the recession.

The administration was at first reluctant to admit to any doubts about the recovery, but has gradually changed its tune.

President Bush has yet, however, to spell out in detail his plans to spur economic growth, and has declined to give outright support to legislation proposed by Senator Phil Gramm of Texas, which would include reducing the top capital gains tax rate to 19.6 per cent and indexing capital gains to inflation.

The White House's acceptance of middle-income tax cuts could provide common ground between the Republican and Democrat proposals, although there remains a yawning gap, notably over the issue of capital gains tax and the funding of any tax cuts.

From the Democrats' side, Senator Lloyd Bentsen, chairman of the Senate finance committee, proposed this weekend a $300 tax credit for each child in a taxpayer's family, at an estimated budget cost of $60bn over five years. This would be paid for by cutting defence spending by 5 per cent over the next five years.

Mr Dan Rostenkowski, Democrat chairman of the House ways and means committee, is expected to produce his own package by month's end.

New tax legislation is unlikely to take effect before next fiscal year, which starts in October 1992, and so cannot be expected to provide immediate stimulation for the sluggish US economy.

San Francisco Bay blaze leaves 10 dead

CALIFORNIAN firefighters were yesterday still struggling against a fire which has engulfed residential neighbourhoods close to the cities of Oakland and Berkeley, killing 10 people and destroying an estimated 600 homes, writes Louise Kehoe in San Francisco.

Progress will depend largely on the weather, which firefighters feared was turning against them. Winds, which fanned the flames on Sunday, died down early yesterday, only to pick up again. However, there were forecasts of drizzle, which could help extinguish "hotspots" continuing to burn in the area.

More than 1,000 firefighters from throughout the state struggled to contain the blaze, which cast a pall of smoke over the region.

Preliminary estimates of the damage are in excess of $1.5bn.

The fire has cut a swathe through some of the most exclusive residential areas of the San Francisco Bay area.

Worst hit were areas of the Oakland and Berkeley hills, where million dollar homes nestle among wooded areas with panoramic views of the San Francisco bay.

The cause of the fire remains uncertain, but it is believed to have been sparked by a small brush fire which was extinguished on Saturday. Firefighters say this reignited on Sunday morning and spread after jumping firelines.

An Oakland resident attempts to comfort his dogs on Sunday afternoon as fire destroys his house

Strong winds whipped up the blaze on Sunday, rapidly spreading the fire over an estimated 1,700 acres. Vegetation was tinder-dry, a result of five years of drought. Water supplies, which are normally pumped to the hilly region, failed when pumping stations were engulfed by flames.

Thousands of residents of Oakland and Berkeley, whose homes are still threatened, have been evacuated. Red Cross shelters housed about 1,000 people on Sunday night. Two thousand students at the University of California, Berkeley, were evacuated as the fire neared the campus. Classes at the university and most schools in the area were canceled yesterday.

The dead included a police officer and a Fire Department battalion chief, said Mr Renee Domingo, the city's emergency planning co-ordinator.

Governor Pete Wilson, who toured the area on Sunday, called the blaze the worst he had ever seen. He has declared a state of emergency, freeing state funds to help authorities cope with the wave of homeless people.

Talks over missile defences to resume

By William Dullforce in Geneva

THE US and the Soviet Union have agreed to resume talks in Geneva early in January on President George Bush's new proposal on ballistic missile defences.

Washington's plan for Global Protection Against Limited Strikes (Gpals) represents a radical departure from its earlier approach in the bilateral defence and space talks, which have been conducted inconclusively for the past six years.

Mr David Smith, chief US negotiator, said yesterday it would cost the US $41bn to complete the programme before the end of the century – much less than former President Ronald Reagan's Strategic Defence Initiative (SDI), or Star Wars, programme would have cost.

The Soviets, who recognised there was a problem in dealing with ballistic threats from third countries, have been asking questions about the US proposal, tabled in Geneva on October 3, Mr Smith said.

Moscow had resisted SDI, claiming it was incompatible with the 1972 anti-ballistic missile (ABM) treaty.

Soviet President Mikhail Gorbachev's willingness to discuss the Gpals proposal showed there was also a change in Soviet attitudes to anti-ballistic missile defence, Mr Smith said.

During three weeks of discussion in Geneva the Soviets had not tried to tie the Gpals proposal to US concessions in other areas, such as a halt to nuclear tests.

Mr Smith denied the US planned to co-ordinate its ABM defences with those of the Soviet Union.

The US also had no plans "at this time" to share technology with the Soviets.

Gpals provides for a three-layer defence comprising transportable tactical ABM systems operating at the "theatre level", ground-based strategic missile interceptors in the US, and space-based "brilliant pebble" interceptors.

Setback in tobacco liability suit

THE Supreme Court, the highest US judicial body, has asked both sides to reargue a key tobacco industry liability suit, prompting speculation that the judges were unable to reach a definitive conclusion, writes Nikki Tait in New York.

The case, Cippollone v Liggett et al, was heard by eight judges on the Supreme Court earlier this month. The arguments centre on whether a federal law requiring tobacco companies to place warning notices on their cigarette packets prevents smokers who subsequently suffer ill health from suing them under state product liability laws.

It is the first time the Supreme Court has become involved in the emotionally charged issue of smokers' suits.

No reason was given for asking for new arguments, but the delay will allow new court member Judge Clarence Thomas to take part in the decision.

The new hearing is likely to take place next year.

Slow foreign investment worries Venezuela

By Joe Mann in Caracas

VENEZUELA'S economy in 1991 is growing at the fastest rate on record in recent years, but two key sectors – foreign investment and non-traditional exports – are lagging far behind their performance in 1990, and considerably below government expectations.

The Superintendency of Foreign Investment, a government agency, said that direct, registered foreign investment in Venezuela for the first eight months of 1991 was down by 41 per cent from the same period in the previous year.

At the same time, non-traditional exports (principally non-petroleum goods), among the highest-priority areas, have fallen by around 30 per cent in value for the January-September period this year, according to government figures.

Officials say the government's decision this year to halt the application of debt-equity swaps to small and middle-sized investment projects has slowed the pace of new foreign investment. Some swaps have been approved for so-called "megaprojects", but foreign investors are still negotiating the financial arrangements for these large projects and big new investments have not as yet been made.

According to government figures, direct foreign investment in Venezuela last year totalled $3.58bn, up $494m (16 per cent) from 1989.

Argentina to liberalise oil industry

ARGENTINA'S President Carlos Menem has announced a drive for foreign and domestic investment in oil exploration, under a far-reaching plan to deregulate the industry, writes Donald Greenleaf in Buenos Aires.

Mr Menem also pledged to accelerate the partial privatisation of the state-owned oil company YPF. This would involve, under a plan to be presented to Congress tomorrow, the sale of 49 per cent of the shares to private investors.

New laws, also to be presented to Congress tomorrow, will give companies the right to dispose of oil by export or sale on the domestic market at international prices.

Mexican trade deficit wider as imports surge

By Damian Fraser in Mexico City

MEXICO'S trade deficit widened to $3.75bn in the year to August, reflecting a surge in imports, up 26.6 per cent compared to the same period last year. Excluding revenues from maquiladoras (in-bond plants), the deficit was $6.44bn.

The eight-month non-maquiladora deficit of $6.44bn is almost triple that recorded in the same period in 1990, and four times that in the first four months of this year. On current trends the non-maquiladora deficit for the year will exceed $8.5bn, leading to a current account deficit of over $10bn, or more than 3.7 per cent of probable GDP.

The deficit is nevertheless easily financeable, thanks to continued inflows of foreign investment, mainly into stocks and bonds. In the first half of this year Mexico ran a balance of payments surplus of $10.6bn; international reserves now stand at a record $16.27bn.

The huge inflows of foreign money have increased speculation that President Carlos Salinas de Gortari will fix the peso to the US dollar, or reduce the current devaluation of 5 per cent a year, in his state of the union speech on November 1.

The trade deficit reflects imports of $24.36bn, and exports of $20.61bn. Of the latter, non-oil exports amounted to $12.47bn, a 13.5 per cent increase over the same period last year.

WORLD TRADE NEWS

Caribbean textile makers seek open access to Nafta

By Canute James in Kingston

CENTRAL American and Caribbean garment and textile producers, who ship most of their output to the US, are asking the US government for unrestricted market access so they can compete with Mexico when that country becomes a part of the North American Free Trade Area (Nafta).

The regional producers, which last year exported 718m square yards equivalent to the US, representing a 12 per cent share of the market, say continued quota curbs and imposition of duties on their products would kill their industries by giving Mexican exports a clear competitive edge.

"This will wipe out an industry in the Caribbean and Central America whose exports to the US last year were valued at $1.8bn," said Mr Peter King, Caribbean Co-ordinator of the Central American and Caribbean Textils and Apparel Council, and chairman of the Garment and Textile Commission of the Caribbean Common Market.

"If Mexico gets free access and we do not, millions of dollars in investments, by US and regional businessmen, and tens of thousands of jobs will be lost."

The Central American and Caribbean request will be put to the US, Canada and Mexico at a meeting in Dallas, Texas, on Friday. The meeting, convened by the US Apparel Industry Council, will be attended by Mr Ron Sorini, chief US textile negotiator.

"The current US-Mexico bilateral text contains language which suggests all quotas will be dropped immediately on the signing of the Nafta agreement," said Mr King. "An added advantage to Mexico is in lower shipping costs in moving the products across the US-Mexico border."

The leading regional exporters to the US last year were the Dominican Republic, Costa Rica, Haiti, Jamaica and Honduras.

Suez Canal finds itself at the crossroads

Plans are under study to double the size of ships the waterway can take, **Max Rodenbeck** writes

THE SUEZ Canal, a crucial avenue of world trade, has reached a crossroads. Ten years after shelving plans to expand, the Egyptian state authority which runs the waterway is again considering whether to spend over $1bn (£500m) to double the size of ships the canal can accommodate.

The Suez Canal Authority (SCA) faces difficult choices. It must consider the size and shape of the future world shipping fleet, predictions of international trade flows and the projected price of oil, plus the cost of dredging millions of cubic metres of dirt.

The canal has achieved a solid financial performance with its present capacity, but Egypt wants to win custom from the larger ships which now characterise the world's merchant fleets.

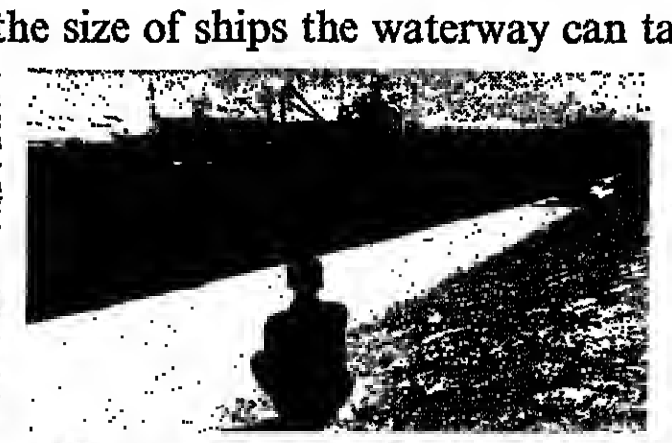
Confounding predictions that the Gulf war would severely dent income, the canal turned over a record $1.77bn in the year to June, a fifth higher than the previous year. A surge in Saudi oil exports helped to boost cargo traffic through the canal.

The tonnage of warships using the canal jumped by almost 800 per cent in 1990, but this still made up less than 2 per cent of total traffic. Tolls were raised 6 per cent in January of this year, in line with the authority's estimate of world inflation, and traffic volume in the first half of 1991 matched 1990 levels.

Already, the 100-km waterway can accommodate vessels with a draught of up to 53 ft. In ballast, typically en route from Rotterdam to load oil in the Gulf, supertankers of 555,000 dwt and over 200 ft in beam can scrape through the canal. But the maximum size for fully laden ships is 150,000 dwt, prohibiting passage of loaded supertankers.

Although the channel's numerical capacity is only 80 ships a day, passing in alternate northbound and southbound convoys, this limit has never in fact been reached. While tonnage has grown, the daily average of transit has fallen from a peak of 63 in 1981 to less than 50 today.

With no need to increase numerical capacity, for example, by building extra bypasses to allow two-way traffic, the SCA has successfully focused on attracting vessels of larger size. Lured by a system of rebates, the number of supertankers of more than 300,000 dwt using the canal has tripled since 1985.



Traffic through the canal: a solid financial performance

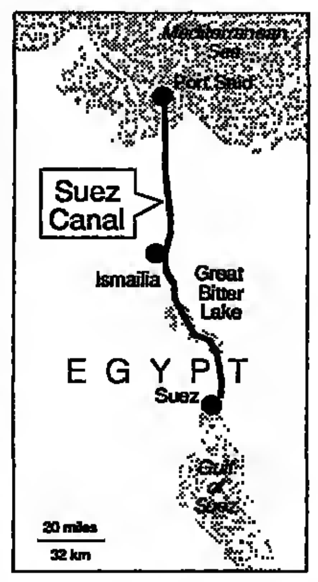
But because of the increasing unit size of the world's oil fleet, the canal has seen its share in the oil transport market drop. Partly for marketing convenience, shippers have preferred to send Atlantic-bound Gulf crude either around the Cape or through the Suez-Mediterranean oil pipeline (Sumed), which, like the Suez Canal, links the Red Sea to the Mediterranean.

Increasing the canal's share of this market, which is expected to grow by 40m tonnes a year over the next decade, will mean widening and deepening the channel. SCA officials say the cost of new works depends on which of five options is chosen. Given the canal's dependable income, financing is unlikely to be an obstacle.

Three separate consulting teams, among them NEDECO, the Dutch company, have drawn up feasibility studies on deepening the channel from the current 53 ft to 56 ft, 62 ft, 68 ft, or 72 ft. Allowing ships of 72 ft draught, the canal could accommodate fully laden supertankers of up to 350,000 dwt. Authority officials say a draught limit of 56 ft could be reached in two years without interrupting canal traffic.

Some 30 dredging companies from around the world have already submitted pre-qualification bids for the work. Mr Ezzat Adel, the authority's chairman, says he expects all the studies to be ready shortly. A final decision could then be produced in a matter of months.

Company spokesmen are cagey about which choice is most likely, but observers say the canal may well stay the same size. Even modest expansion could cost up to $1bn, an investment which could take a decade to recoup.



The competing SUMED pipeline, meanwhile, has already begun work to raise its capacity by 50 per cent to 2.4m barrels a day.

The waterway's last expansion, completed in 1980 at a cost of $1.3bn, required the use of 37 dredgers from 10 countries. Financing, much of it on concessional terms, came largely from Japan. Falling oil prices and a global economic slowdown in the early 1980s caused the authority to shelve a planned second phase.

Researchers cast doubt on Asean free trade pact

THE recent accord by south-east Asian trade ministers to form a six-nation free trade zone within 15 years "should be taken with grain of salt" as unlikely to affect trade patterns substantially, the Hong Kong-based Political and Economic Risk Consultancy (PERC) said, Reuter reports from Singapore.

The plan, announced by Association of South-East Asian Nations (Asean) officials in Kuala Lumpur on October 8, "was a hybrid, committing member states to surprisingly little. Asean, already 24 years old, does not have a particularly impressive track record when it comes to promoting economic co-operation between member states." Asean groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

The pact, endorsed by the Asean ministers, is to be refined into a more detailed package for approval by Asean heads of state at their summit in Singapore next January. It aims to cut Asean tariffs on manufactured goods gradually and sector-by-sector over 15 years. But PERC said the plan's limited nature and strong rivalries would inhibit it. "For example, individual countries retain the right to opt out of the common effective tariff scheme in sectors in which they do not feel comfortable."

The Asean framework accord covers only manufacturing, omitting trade in agriculture or services, "thus side-stepping a minefield of conflicting interests regarding matters such as the development of the banking industry and the production of palm oil, rubber and other commodities."

Even for manufacturing, Indonesia's refusal to cut tariffs on products from more developed Asean neighbours pushed the free trade deadline beyond Thailand's proposed 10 years.

Polish airline seeks to halve fleet of 42 aircraft

LOT, Poland's state-owned airline, plans to halve its fleet of 42 aircraft and eliminate all its Soviet-built aircraft by the middle of the decade, Christopher Bobinski reports from Warsaw.

Mr Bronislaw Klimaszewski, LOT's managing director, said yesterday all seven of his IL-62s which used to fly on the line's transatlantic routes are to be grounded next month.

He was speaking soon after LOT signed a contract with Boeing for delivery by 1994 of nine Boeing 737s worth some $300m (£174.4m) for LOT's European routes. These will replace its 21 Soviet-built Tupolevs.

By then, LOT will have nine Boeing 737s, three Boeing 767s and eight French ATR aircraft. The purchase of another "two or three 767s" was being considered, Mr Klimaszewski said.

LOT's IL-62s were costing Zl 16bn (£836,000) a month in losses to fly and maintain. Chances of selling these aircraft were "diminishing anywhere and to anyone".

But LOT was talking to the Soviet Aviaexport about a barter deal involving the ILs or it was hoped they could be leased to airlines set up by the newly-independent Baltic states.

● Robert Gibbens reports from Montreal: Comair, a US feeder airline 23 per cent owned by Delta Air Lines, has placed a firm order worth C$395m (£203.6m) with Bombardier's Canadair aerospace group for 20 Regional Jets.

Comair has taken options on a further 20 of the 50 passenger aircraft. Part of the fuselage of the Regional Jets is made by Short Brothers in Belfast, a Bombardier subsidiary. Excluding the options, the Comair order will bring Bombardier's total aerospace order backlog to nearly C$6bn. The Regional Jet is going through the certification process. First deliveries begin next year to a Lufthansa feeder line.

Japan reviews insurance on exports to Iran

JAPAN'S Ministry of International Trade and Industry (Miti) is reviewing requests for insurance on Japanese exports to Iran, but has yet to give its approval for any submitted thus far, a Miti official said yesterday, AP-DJ reports from Tokyo.

The official was responding to a report in the Iranian press on Saturday that the Japanese government had agreed to insure Iran-bound exports, starting in late November.

"We're looking at the requests on a case-by-case basis, but have reached no concrete decisions," he said. Miti has been considering applications for insurance since the beginning of this year because of Iran's impartial stance during the Persian Gulf crisis, he added.

Japan had refused to consider extending credit and insurance for exports bound for Iran ever since that country's fundamentalist revolution in 1979.

US in China market access talks

MR Joseph Massey, US assistant trade representative, arrived in Beijing yesterday for talks this week on market access and protection of intellectual property rights, two crucial issues which have angered Washington, agencies report from Beijing.

Mr Massey's talks, which were due to last from yesterday until Friday, will be with China's ministry of foreign economic relations and trade.

This is the organisation that is trying to protect billions of dollars-worth of exports from possible punitive sanctions.

The talks will be one of the last sessions before the November 26 deadline for another investigation. This inquiry concerns China's protection of copyrights and patents.

On Sunday, the China Daily newspaper quoted Qin Anman, deputy director of the National Copyright Administration, as saying China would join the Berne Convention and the Universal Copyright Convention, on the basis of the existing Chinese copyright law.

Such a step would occur "at an unspecified date, but well before the end of next year".

China's first copyright law came into effect on June 1, but Beijing has come under fierce international pressure to improve its record on intellectual property rights. A lot of this pressure has emanated from the US.

This week's negotiations will be the first in Beijing since the Bush administration launched a year-long trade inquiry on October 10 to investigate allegations that Beijing restricts US exporters' access to China's markets, or even denies such access altogether.

If after the investigations, the US decides to retaliate against China, it could impose tariffs of up to 100 per cent on some of China's exports to the US, in order to compensate for alleged losses.

The duties could eat into China's profitable trade with the US, which is growing larger and is itself an issue of concern and anger for many US legislators.

Washington says China exported $5.9bn (£3.43bn) more to the US than it imported in the first seven months of 1991. This would represent a jump of 13.5 per cent in its surplus compared with that at the same time a year ago.

China had a surplus of $10bn with the US for all of 1990, Washington says.

But Beijing disputes the figures, saying it buys more from the US than it sells.

Beijing has reacted angrily to the US position. After the latest investigation was launched, a Beijing government spokesman said: "We feel strong dissatisfaction at the United States' unilateral investigation...We absolutely cannot accept the accusations".

Beijing maintains that it has done a lot to open its markets and protect intellectual property rights already.

These steps include implementing a new copyright law, offering to join international copyright pacts, and proposing a number of market-opening measures.

UK NEWS

Lonrho fails to win court backing on Fayed case

By Robert Rice, Legal Correspondent

LONRHO, the international trading conglomerate, yesterday lost the latest round of its legal battle to wrest control of House of Fraser store group from the Fayed brothers.

The High Court in London decided tha government had not acted unlawfully in failing to seek the disqualification of the stores group's owners as company directors.

The court also said Mr Nicholas Ridley, the former trade secretary, had not acted perversely or unreasonably when he refused to seek disqualification of the Fayeds in 1990, in spite of a Department of Trade and Industry inspectors' report which concluded that they had lied during their £615m takeover of the group in 1985.

Lonrho also wanted the court to order Mr Peter Lilley, the current trade and industry secretary, to reconsider Mr Ridley's decision and take action against the Fayeds now.

Lord Justice Neill said the court was limited to ruling whether or not Mr Ridley had arrived at a decision which no reasonable secretary of state could have made on the evidence before him.

He had properly taken account of the allegations in the report. He had set against that the fact that the aim of the 1986 Act was not to punish individuals but to protect the interests of the public and shareholders.

No former House of Fraser shareholders had suffered as a result of the 1985 takeover, and since then the Fayed brothers had conducted their business in a law abiding, proper and regular manner.

The DTI report had concluded that the Fayeds dishonestly misrepresented their origins, wealth, business interests and resources to the Secretary of State, the Office of Fair Trading, the press, the House of Fraser board, the company's shareholders and their own advisers.

Lonrho, which has several legal actions pending against the Fayeds and the House of Fraser, owners of Harrods, the luxury goods store, is considering an appeal.

Major attacks intervention by Ripa di Meana

By Alison Smith in London, Robert Mauthner in Harare, and Andrew Hill in Brussels

THE political row over the European Commission's intervention in environmental studies for seven construction projects in the UK flared again yesterday.

Mr John Major, Britain's prime minister, wrote to Mr Jacques Delors, the Commission president, expressing "severe irritation" at the way the matter had been handled.

Mr Major made clear his annoyance at the personal letter sent last week from Mr Carlo Ripa di Meana, the environment commissioner, to Mr Malcolm Rifkind, the UK transport secretary, suggesting that work should be stopped until differences about environmental impact studies had been settled. Mr Major, in Zimbabwe for the Commonwealth conference, described the intervention as "astonishing".

Having called for a full report on the affair over the weekend, he commented yesterday that the UK had had no prior notice of the move, and that this was not the first time it had happened. "It seems to me to be on the basis of ill-founded reports and not facts. It is also on the basis of reports that were not discussed with the United Kingdom. It seems to me to be absolutely how the European Commission ought not to behave and I have told them so."

Mr Delors is understood to be angry that Mr Ripa di Meana decided to publicise his personal letter to Mr Rifkind. Mr Ripa di Meana seot his press release on the infringement procedure direct to journalists.

His letter said that the UK failed to follow EC procedures on the environmental impact of the work which includes the high-speed rail link from the Channel tunnel to King's Cross station in London, and the East London River Crossing.

The UK government and the Commission are ecutely conscious that the interveotion comes at the sensitive period of the run-up to the Maastricht summit on economic and political union, and are anxious to minimise its impact on the broader discussions.

Mr Rifkind is preparing a detailed response, and department of transport officials remain confident of the success of their explanation that the schemes were approved under UK procedures which include an environmental assessment equivalent to EC standards.

Former BCCI auditor to co-operate with inquiry

PRICE WATERHOUSE, the former auditor of the Bank of Credit and Commerce International (BCCI), was yesterday given leave by the High Court to provide confidential information about its former client to the inquiry into the collapse of the bank.

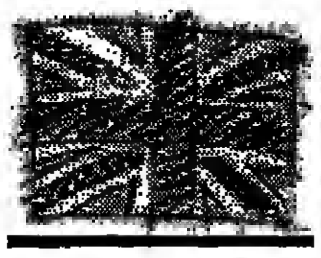
The inquiry, chaired by Lord Justice Bingham, was set np by the Chancellor of the Exchequer and the Bank of England last July to inquire into the supervision of BCCI and to consider whether action taken by the UK authorities was appropriate and timely.

It is a non-statutory inquiry without power to compel witnesses to give evidence or produce documents. It will sit in private but its findings will be made public.

Mr Justice Millett granted Price Waterhouse a declaration that neither obligations of confidence to BCCI and its provisional liquidators nor legal professional privilege precluded them from supplying documents or information specifically requested by the inquiry.

● Mr Douglas Hogg, the junior foreign office minister, will visit the United Arab Emirates at the end of this month. Discussions are expected to include the BCCI collapse.

BRITAIN IN BRIEF



Deadline set for cable TV companies

The government has delivered an ultimatum to cable television companies which have not so far raised the necessary finance to start operations.

Mr Peter Lilley, the trade and industry secretary set a three month deadline for companies holding 13 cable television franchises but which have not yet been awarded the necessary telecommunications licences to operate a service.

Mr Lilley said 13 other franchises remained unlicensed and stuck on the starting blocks.

"I have therefore decided to challenge the holders of these 13 franchises. Either come up with the evidence of financial commitment that by department requires – by law – in order to issue a Telecommunications Act licence or clear the fields for others to do so," Mr Lilley told the Cable Convention in London.

The cable companies involved inclnde Comment Cable, a subsidiary of US Cable Corp, which has faced difficulties raising money for franchises covering six towns in England.

Few students take loans

Less than a third of students took a government "top np" loan last year, and administrative costs for the loan scheme amounted to almost 20 per cent of the total lent, according to the first annual report of the student loan company.

The government-owned Student Loans Company lent some £70m to 180,000 students in the 1990/91 academic year – 28 per cent of the student population. The average loan was £388.

Administrative costs amounted to £13m – £48 per loan.

Seelig defends reputation

Mr Roger Seelig had no need to win another takeover bid to boost his reputation in the City at the time of the 1986 battle for Distillers, his former secretary told a London court.

Mr Seelig, then corporate finance director at Morgan Grenfell, Guinness's principal merchant bank during the bid, had already established his reputation, said Miss Mary Stanford.

Cross-examined by Mr Seelig she agreed that in early 1986 his workload, apart from the Distillers bid, inclnded the merger of Habitat/Mothercare and British Home Stores, the Stock Exchange listing of Virgin, the sale of Our Price to W.H.Smith and P&O's purchase of European Ferries.

Mr Seelig and Lord Spens, former corporate finance managing director at the Henry Ansbacher merchant bank, are jointly charged with conspiring to contravene the 1958 Prevention of Fraud (Investments) Act. Mr Seelig faces another charge under that act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

Extension for MMC report

The Monopolies and Mergers Commission (MMC) has been granted a second extension, until December 20, to complete its investigation into whether the structure of new car parts supplies in the UK is anti-competitive.

The car parts inquiry has been running in parallel with a more wide-ranging probe into new car prices and whether they are influenced by the system if exclusively franchised car dealers.

The greater urgency and complexity of the inquiry into car prices and distribution is understood to have been mainly responsible for the extra time needed to complete the parts investigation.

Conoco makes oil find

Conoco, the US oil company, said it found oil in block 29/2a in the North Sea, 150 miles east of Aberdeen. The well found oil flowing at an average rate of 9,000 barrels a day and another well is planned to appraise the discovery.

Treasury to alter tax rules

The Treasury said it will demand that Britain's 1,600 largest companies speed op payments of value added tax (VAT) by January 1993. The move enables the government to avoid an increase in its borrowings in order to comply with European Community rules on tax.

To avoid increasing the Public Sector Borrowing Requirement (PSBR), the largest businesses will have to begin making VAT payments monthly, instead of quarterly, as is now the case. The move could send hundreds of companies scrambling to find the cash to pay their tax payments more quickly.

If the payments are not speeded up, the effects of EC tax harmonisation would cause a one-off increase in the PSBR of an estimated £2bn for the 1992-93 fiscal year.

Currently, all businesses pay VAT quarterly on domestically produced goods and VAT on imported items at the time of importation.

Two held over BCCI evidence

A member of the Serious Frand Office team investigating the collapsed Bank of Credit and Commerce International (BCCI) has been remanded in custody on charges of conspiring to destroy or steal documentary evidence relating to potential fraud trials.

Mr Mark Braley, a trainee accountant with Coopers and Lybrand, was remanded in custody for a week at a London court. Mr Braley is jointly charged with Mr Bernard Lynch, a freelance accountant. He was also remanded in custody.

Both men were charged that oo or before October 19, they conspired to pervert the course of jnstice by removing, destroying or defacing documentary evidence relating to fraud trials resulting from the collapse of BCCI in July.

Mr Barley was one of 11 accountants seconded from Coopers and Lybrand to work on the investigation. He joined the team four weeks ago.

Receivers at Slumberdown

Slumberdown Group, the Scottish-based duvet, quilt and pillow manufacturer, has gone into administrative receivership after cutbacks failed to stem its losses.

The jobs of 150 employees working in Hawick, in the Scottish borders, are under threat although the receivers are hopeful of selling the business as a going concern.

Government health pledge

Mr William Waldegrave, the health secretary, gave a categorical undertaking that any attempts to introdnce new charges for National Health Service patients were illegal and would be stamped out. His assurance came during an impassioned Commons debate that again pitted Labour charges of "creeping privatisation." of the NHS against Tory claims that the oppositiou has no alternative reform.

Royal Opera cancels performances amid pay dispute

THE ROYAL Opera House (ROH) in London has cancelled performances "for the forseeable future" as a dispute with musicians over pay escalated. Management made the decision after members of the 120-strong orchestra stayed away from a final dress rehearsal of Meyerbeer's Les Huguenots. They had been requested not to turn up unless they ware prepared to "work normally." The Musicians' Unlon, however, said its members had been staging only limited action because they did not want to jeopardise productions. Mr Robert Trory (above), a violinist in the orchestra and a Musicians' Unon steward, said comparable orchestras in other European capitals were either paid more or were not required, as were ROH orchestra members, to provide their own instruments.

Labour protest over Unisys jobless scheme

By Michael Skapinker

MR ROBIN COOK, a leading opposition Labour party spokesman, has protested to Unisys, the US computer manufacturer, over plans to halve the redundancy payments of employees from the company's plant at Livingston, Scotland, if they leave for another job before the plant closes next February.

Unisys said earlier this month it would close the factory with the loss of 686 jobs as part of a programme of reducing the worldwide workforce by 10,000.

In a letter to Mr Jim Unruh, Unisys's president, Mr Cook, who is the MP for the nearby town of Livingston, said it was unfair to penalise staff who managed to find alternative employment.

"Given the rising unemployment in Britain they would be foolish not to take the chance of a job if they were offered it," Mr Cook said.

Unisys is offering employees under 40 years old two weeks redundancy payment for each year of service and two and a half years for those over 40.

Unisys has engaged Coutts, an employment consultancy, to help employees from the factory find new jobs. Mr Cook said in his letter: "It does appear perverse that the company should ... be penalising financially those staff who are successfully placed by the agency hired by the company."

Mr Cook added that employees at the Livingston plant suspected that their factory, which makes cheque-processing equipment, receipt printers and credit card reading devices had been singled out for closure because redundancy payments required by UK law were less generous than those in France, where the company has other factories.

Unisys denied the decision to close the Livingston plant was affected by the level of redundancy payment required by law. The closure was based on a consideration of the demand for products made at its various factories, the company said. Unisys confirmed that employees who left before the factory closed would lose half their redundancy payments.

Opposition pledges private loans for BR

By Richard Tomkins, Transport Correspondent

THE Labour party will allow British Rail (BR), the state railway, to fund the acquisition of badly needed commuter trains with private-sector finance if the opposition wins the general election.

Mr John Prescott, the party's transport spokesman, will tell a conference on railway finance today that a Labour government would encourage BR to buy trains for Network SouthEast through sale-and-leaseback deals arranged through City banks.

The first routes to benefit would be the commuter railways between London and Kent, in south east England.

BR has won government approval for plans to replace the trains, but has had to postpone the later phases of the replacement programme because it has run ont of money.

BR's powers to invest are at present constrained by tough Treasury rules which prevent it from obtaining finance from anywhere other than the government.

This is already common in Continental Europe. In France, for example, the state-owned railway buys its high-speed trains from the manufacturer, then sells them to banks and leases them back.

The government says laxer financial strictures for Continental railways have led to the accumulation of massive debts requiring periodic write-offs at the taxpayer's expense.

Retail sales remain at low levels despite interest rate cut

By Rachel Johnson, Economics Staff

RETAIL SALES volumes have stuck at low levels despite the cut in UK interest rates at the beginning of September, according to figures which hit shares and the pound yesterday.

Provisional estimates from the Central Statistical Office (CSO) revealed that September sales volumes failed to rise above August's depressed levels. They were lower than in July, when bad weather boosted retail spending and government hopes of an "economic spring".

The latest figures dispirited traders on London's stock and currency markets after a moderately heartening distributive trades survey from the Confederation of Britisb Industry, the employers organisation, yesterday.

Retailers, meanwhile, had reported higher annual sales in September for the second month running.

The retail sales data reinforced the nervousness roused by a weekend opinion poll putting the opposition Labour party seven percentage points ahead of the Conservatives.

The pound lost ground to close at DM2.9050 after Friday's DM2.9125, limiting the chancellor of the exchequer's scope in next month's Autumn Statement for cutting interest rates or raising public spending to speed np the economy

Sterling cannot sink below its DM2.8625 floor in the Enropean exchange rate mechanism.

Thongh the amount of goods sold last month was 0.7 per cent down on the same month a year ago, an assessment of sales over the last two quarters shows the trend has begun gently to rise.

According to the less volatile three-monthly comparisons, sales volumes in July to September were 0.6 per cent up on the previous three months, but still half a per cent lower than tha same three months a year earlier.

The Treasury pointed out that this was the first complete set of economic data for the third quarter, and could point to a rise in gross domestic product during this period. Consumer spending counts for about two-thirds of gross domestic product.

Additionally, the Retail Consortium, the umbrella body for the retailing industry, said September was a "small but encouraging improvement" because volumes were static after August's fall.

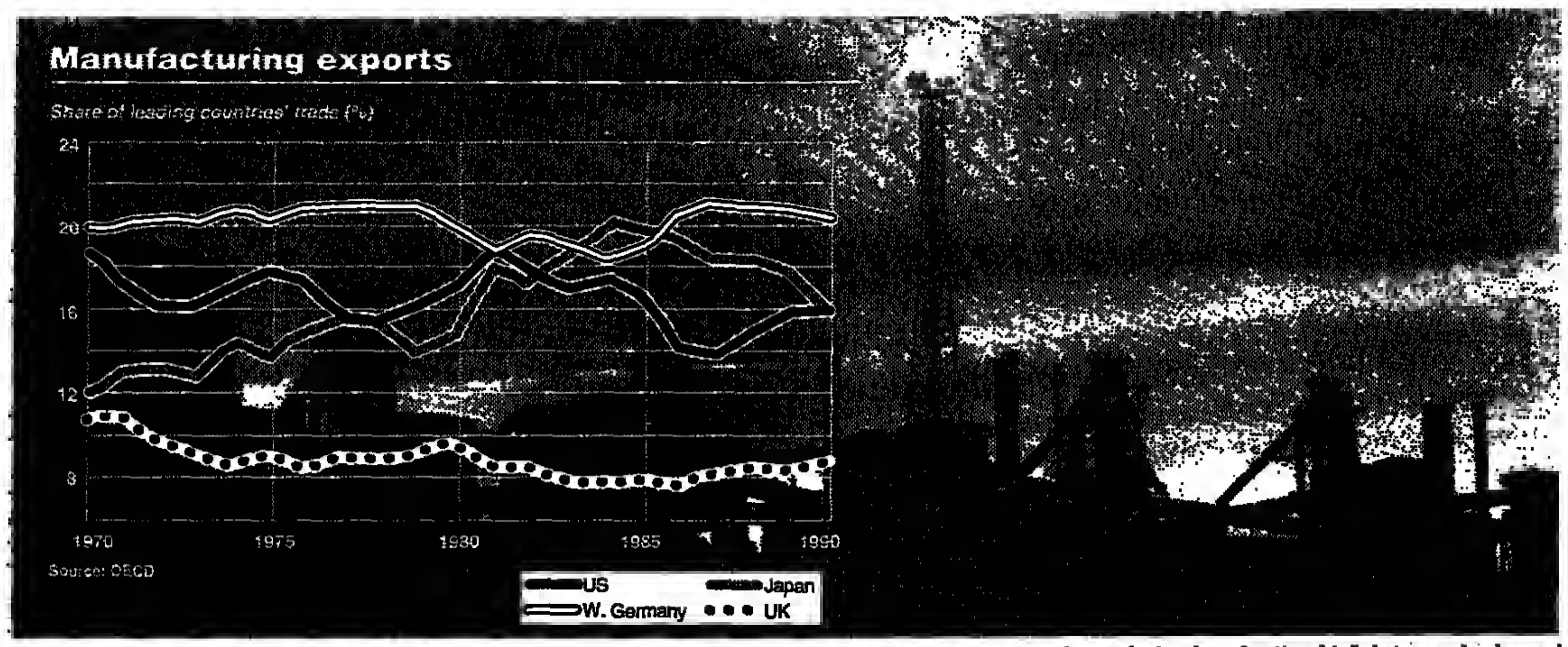
It supported the CSO's picture of retailing which showed no upturn yet but no worsening in trading conditions.

Mr Steven Bell, economist at Morgan Grenfell, said that he was confident volumes would soon pick up as the savings ratio – the proportion of income saved not spent – had stabilised at around 10 per cent.

"It will start to fall and shortly lead to a pick-up in consumption necessary for recovery," he predicted.

UK manufacturing faces 10-year challenge to compete

By Michael Cassell, Business Correspondent



BRITAIN'S manufacturing industries have made big strides over the last decade but they still face a 10-year struggle to catch up with overseas competitors, according to the Confederation of British Industry (CBI).

Yesterday's report from the manufacturing advisory group of the CBI, the employers' organisation, gives credit to Britain's manufacturing achievements over recent years. But, simultaneously, it dashes any lingering complacency by emphasising the yawning gap which still separates the UK from what the employers' organisation calls "the world's best".

The report stresses that UK manufacturing output is running 25 per cent above the level recorded 10 years ago. Manufacturing now employs 10m people directly or indirectly, which contributes more than £100bn to the country's gross domestic product.

The UK's share of manufactured exports is, after decades of decline, rising again and while growth in manufacturing output is close to tha average for industrialised countries prodnctivity has incraased more rapidly than every country except Japan since 1980.

Major factors in the improved performance include increased emphasis on quality, training and innovation – areas where UK companies have traditionally lagged behind. Improved employee relations and a growing army of small manufacturing companies – increasing at the rate of 100 a week in the last ten years – have also contributed to a better manufacturing effort.

Even so, the CBI says Britain's manufacturing competitors still have better equipment, better trained personnel and a more productive relationship with owners and governments.

It emphasises that UK manufacturing productivity is still 30 per cent lower than in West Germany, 35 per cent below Japan and around 45 per cent below the United States.

Ending the productivity gap with West Germany by the end of the century will, for example, require UK productivity growth to exceed German performance by 3.5 per cent each year. This implies growth of up to 6 per cent annually, compared with an average 4 per cent between 1985 and 1990.

The recession, according to the CBI report, has made matters significantly worse in the short-term, with a higher proportion of manufacturers working below capacity than at any time since 1983. Competitiveness has also been undermined by a large drop in fixed investment in manufacturing – likely to be 22 per cent lower than in 1989.

In calling for "a fundamental shift in attitudes at all levels", however, the CBI also addresses the longer-term weaknesses afflicting the manufacturing sector and apportions blame between companies, banks and government.

The CBI criticises the wide variation in productivity between the best and worst manufacturing companies and calls for the universal adoption of "best practice" management techniqnes aimed at beating the productivity performances achieved in Japan and the US.

It wants better training, the spread of an "innovation culture" and improved relationships between customers and suppliers.

The CBI also gives high priority to the need for a more supportive approach from government. It says the Department of Trade and Industry often appears ineffective in promoting the interests of manufacturing in Whitehall and suggests it should play a greater role in formulating any government policy with a direct bearing on manufacturing competitiveness.

The report calls on the government to lower the burden of business taxation in order to encourage manufacturing investment. The CBI points out that the taxation of corporate profit rose steadily during the 1980s and is higher than the European Community average.

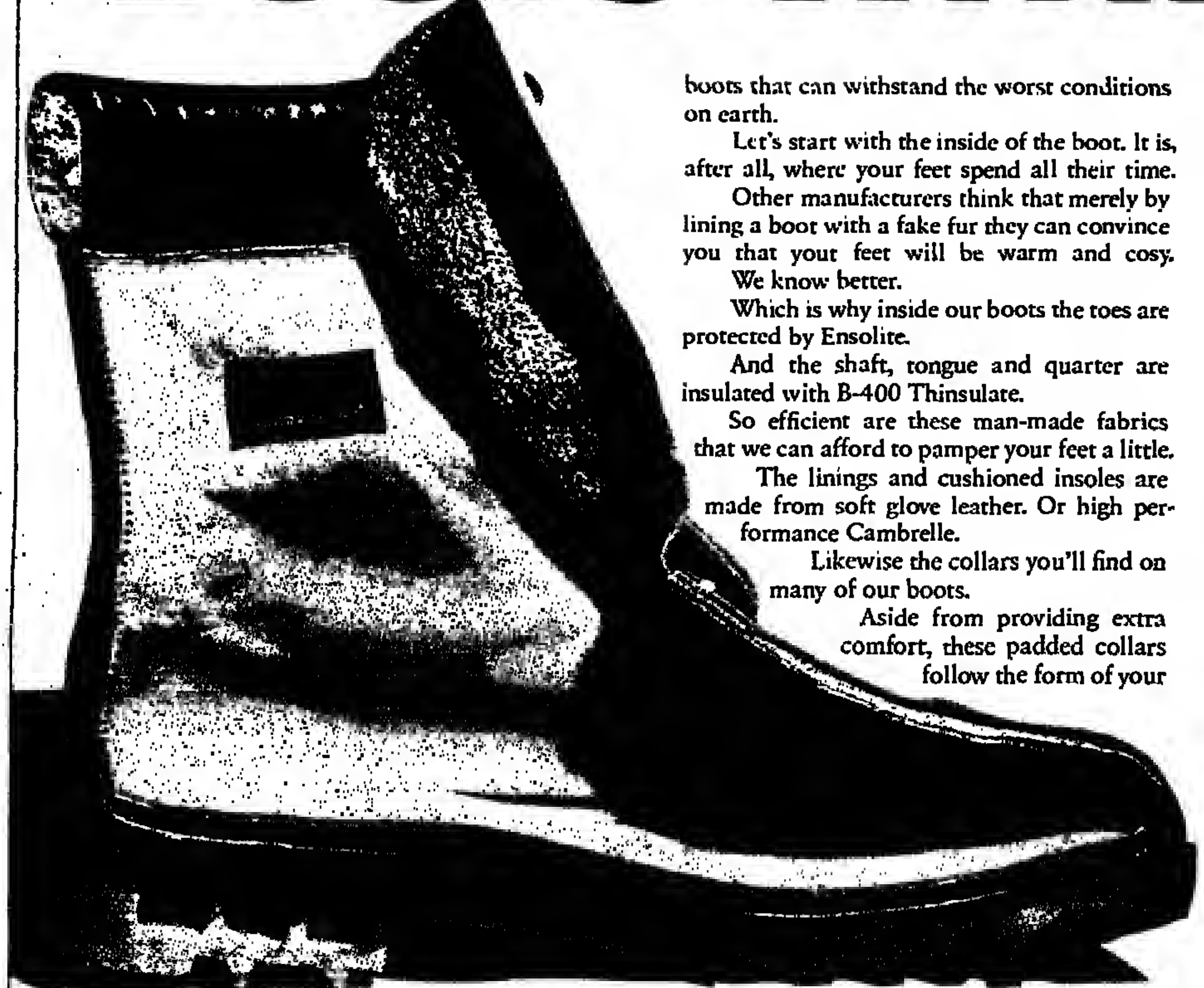
The British financial sector, meanwhile, is compared unfavourably with those of some competitor nations and the report says the financial systems in Japan and Germany have supported the development of manufacturing industry mnch more positively by providing consistent, long-term support.

Although the report discounts a radical restructuring of the UK financial system, it calls for "a more balanced relationship" between banks and smaller companies and the creation of local investment companies which would serve small busineases. Lending institutions, it suggests, should move away from lending to businesses on the basis of security on property and advance funds on the strength of individual business propositions.

The report welcomes the prospect of low and stable inflation and adds: "The economy is at a turning point. Either we return to the 'boom and bust' cycle which has plagued British manufacturers seemingly forever, or we invest in our manufacturing base. There is no middle way".

Editorial comment, Page 20; Lex, Page 22

WE DON'T LINE OUR BOOTS WITH FUR. WE LINE OUR BOOTS WITH BOOT.



Have you any idea what happens to the body at 20° or 30° below?

The blood thickens. The brain slows. Your concentration lapses. Energy can drain from you faster than water from an emptying tub.

Of course, the body doesn't take this kind of treatment lying down.

Something called a neuro vascular impulse shunts blood away from your extremities to vital organs like the heart, kidneys and liver.

Which is very clever of it.

Except that a lot of people regard their extremities as pretty vital too.

Particularly their feet.

At Timberland, we make our living making boots and shoes for people who enjoy the great outdoors.

Which, as you can imagine, becomes the not-so great-outdoors when winter sets in.

So how do we protect our customer's feet from the body's natural desire to leave them in the lurch every time there's a cold snap?

We use every material known to man (and some known only to Timberland) to build boots that can withstand the worst conditions on earth.

Let's start with the inside of the boot. It is, after all, where your feet spend all their time.

Other manufacturers think that merely by lining a boot with a fake fur they can convince you that your feet will be warm and cosy.

We know better.

Which is why inside our boots the toes are protected by Ensolite.

And the shaft, tongue and quarter are insulated with B-400 Thinsulate.

So efficient are these man-made fabrics that we can afford to pamper your feet a little.

The linings and cushioned insoles are made from soft glove leather. Or high performance Cambrelle.

Likewise the collars you'll find on many of our boots.

Aside from providing extra comfort, these padded collars follow the form of your ankle to help stop the elements sneaking in.

Keeping the cold air out and the hot air in could have the effect of 'cooking' your feet.

To prevent this, we often drop in a bootie made from Gore-Tex.

This remarkable man-made fibre has 9 billion pores per square inch, each one 20,000 times smaller than a raindrop but 700 times larger than a molecule of perspiration.

As a result, our boots get an extra layer of waterproofing and your feet can breathe more easily.

Even so, any foot couped up in one of our boots is bound to sweat a little.

So to absorb any perspiration, some of our boots are fitted with a special removable polypropylene insole.

Perhaps because Timberlands come from the rainy State of New Hampshire, we set a lot of store by things that keep feet dry.

For example, all the important seams on our boots are stitched using no less than four rows of nylon stitching. We then tape seal them with latex to make sure that whatever happens water cannot infiltrate the boot.

Our determination to stave off the elements doesn't stop there.

To seal the inside of the boot from the outside world, we use soles made from a light-weight dual-density polyurethane. Or another highly resistant substance called Vibram EVA.

These soles are then permanently bonded to the uppers utilising one of Timberland's many patented processes.

We even add a fibre glass shank along the base of the boot for extra strength.

However good we are at lining the inside of our boots, it would all come to nothing if the outside wasn't up to scratch.

So we comb the country in search of tanneries that understand the importance we attach to the well-being of your feet.

A task made harder by the fact that we're not just picky, we're plain contrary.

We want leathers that are tough yet soft. Strong yet supple. Long-lasting but good-looking. A tall order, we know.

But we rarely come back empty-handed.

Once in the workshops, the leathers are impregnated with silicone.

This prevents them drying or cracking with age. It also stops water seeping through. (There we go again.)

We also subject them to a machine called a Maser Flex, which tests waterproof leathers. Ours withstand 15,000 flexes, equal to the highest standards demanded by the US Military.

The same mentality that puts fake fur inside a boot can be counted on to compromise in other ways too.

Nor us.

We dye our leathers right through so the colours won't scuff or flake off even after years of regular use.

We use solid brass eyelets. And D-rings made from stainless steel. Neither of them rusts, it's as simple as that.

Laces are made from self-oiling raw hide for extra flexibility. Or premium grade nylon when greater strength is required.

Nothing is over-looked in our desire to build a comfortable, long-lasting boot that protects your feet from the cold.

You may never experience temperatures as low as 20° or 30° below.

But if your feet are soaking wet and numb, who's counting?

Timberland

This advertisement was created by Leagas Delaney.

THIS INSIDE of a boot is hardly the most promising of subjects. But this advertisement got you into it. Notice also how effortlessly it dispels our assumption that feet are better off in fur. This is what the written word can do. It builds bridges between products and people. Gets the message over fast and effectively. Timberland shoes used to be cultish. One newspaper campaign later, their name is on everyone's feet. Take a big step forward. Advertise in the newspapers.

PEOPLE READ NEWS-PAPERS

This advertisement was placed by the Newspaper Publishers Association.

Welcome to the new world


From left, Delta Flight Attendant Bonita Caringola, First Officer Timothy Therrell, Captain Larry Bacon and Flight Attendant Stephanie Allen.

On November 1, the world will become smaller, and the atmosphere warmer as Delta Air Lines begins greatly expanded operations across Europe, the Middle East and Asia.

With new transatlantic nonstops and the establishment of a European hub in Frankfurt, Delta will begin flying from Austria, Belgium, Czechoslovakia, Finland, Greece, Hungary, India, Israel, Italy, Norway, Poland, Portugal, Romania, the Soviet Union, Sweden, Switzerland and Turkey.

All in addition to our existing service from England, Ireland, France, Germany, Denmark and the Netherlands.

Wherever we fly, Delta is dedicated to bringing travellers the best service in the sky. Service that's more convenient, and gives you more travel choices.

Tendered with the special warmth and professionalism the people of Delta are known for.

هكذا من الأصل

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# of Delta.

First across the U.S.A., first around the world.

With Delta, you enjoy the convenience of flying to any of over 240 U.S. destinations with one ticket, on one airline system.

And you enjoy more travel choices, because the Delta network serves more cities within the U.S. than any other airline. In fact, Delta's system is first in flights worldwide, with more than 4800 flights a day to over 300 cities in 33 countries around the globe.

A few other firsts.

As important as schedule and convenience are to travellers, they're just part of the reason for you to choose to fly with us.

Delta has the youngest and most modern commercial aviation fleet of its size in the world. As well as one of the most generous frequent flyer programs. And our emphasis on service has earned Delta the best record of passenger satisfaction among major U.S. airlines for 17 straight years.*

Have your Travel Agent book you on Delta. Or call us direct. And let us welcome you to Delta's world.

DELTA AIR LINES
·We Love To Fly And It Shows.·

New routes subject to government approval. Start date of service may vary from November 1-5. *Based on consumer complaint statistics compiled by the U.S. Department of Transportation. © Delta Air Lines, 1991.

Louise Kehoe examines the US computer company's bid to become the market leader in notebook PCs

Three new Apples fall from the tree

The portable computer market is "a natural for Apple Computer" claims John Sculley, Apple chairman and chief executive. With the introduction yesterday of three "Macintosh PowerBook" notebook computers, Apple has spearheaded an ambitious bid to become the notebook personal computer market leader.

"We are not saying that we are going to get there in a year, it may take us a while, but that is the objective that we have set," Sculley says. Apple'a Macintosb tecbnology, with its graphical user interface and ease-of-use features, is particularly well suited to the portable computer sector, he maintains. "If there was ever a product wbere ease of use should be a great advantage, it must be in the computer that yoo carry around with you."

Apple faces formidable competition, however, as a late eotrant into an already crowded market dominated by manufacturers of IBM-compatible notebook computers such as Compaq Computer and Toshiba. International *Business Macbines has also* introduced a notebook computer and as many as a dozeo other computer manufacturers are expected to weigh into the notebook sector before the end of the year.

Notebook computers represent one of the fastest growing segments of the computer industry, witb worldwide sales expected to top 4m units this year, up from less than 3m in 1990, and reach nearly 8m units by 1994. By tbe mid-1990s, portable computers may account for as mnch as 50 per cent of the personal computer market according to market analysts.

Prices, bowever, have tumbled over tbe past year and discounting is widespread, reflecting generally sluggish market conditions tbat bave prompted personal compnter manu*facturers to try to boost sales of porta*ble models to make np for slowing shipments of their desktop products.

"We knew wben we started developing the PowerBooks that if we were going to do more than catch up, and really kick into the notebook market, we would have to be able to compete oo price," says Sculley. "From the very beginning we designed tbese products so that we could sell at very aggressive prices and still make money."

US list prices for the Macintosb PowerBooks range from $2,300 for a model 100 with 2 Mbytes of memory and a 20 Mbyte hard disc drive to $4,600 for the top of the line model 170 witb 4 Mbytes of memory and a 40 Mbyte hard disc drive.

Sculley maintains, however, that the *Macintosh* PowerBooks incorporate different features from previous Apple products. "Because we are the only personal compoter company that does hardware and software designs we can really make both complement each other, and we have probably never done a better job than we have with the PowerBooks," he claims.

The PowerBooks incorporate the same graphical user interface as desktop Macintosh models, and can run all Macintosh applications programs. *Adapting the Macintosh technology* to portable computers posed significant design challenges, bowever.

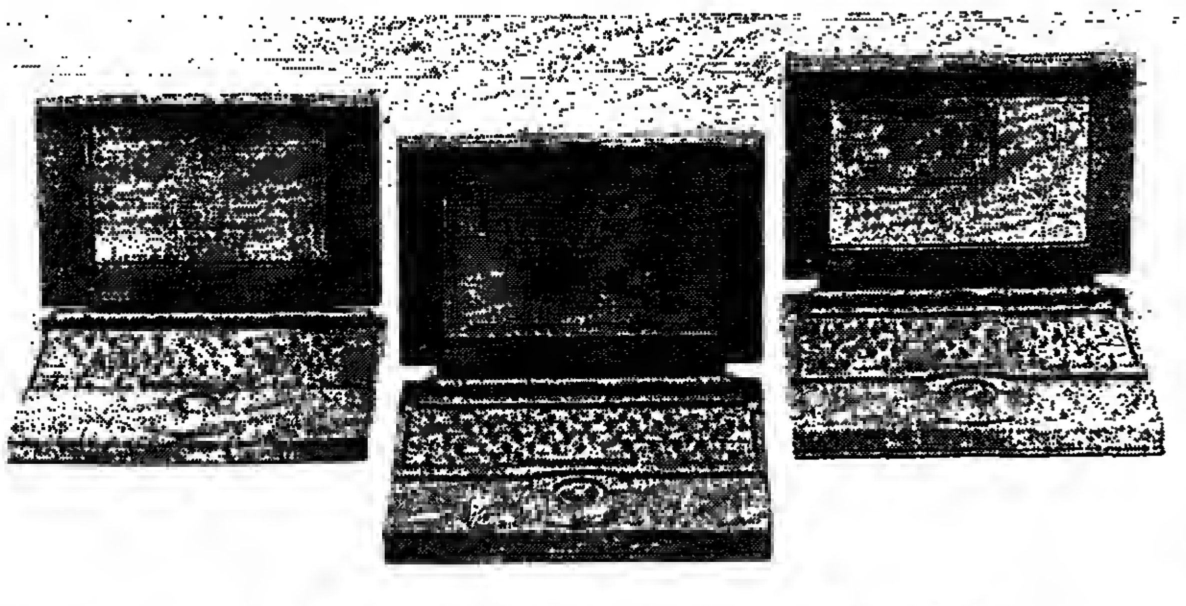
The computer "mouse", used with Macintosh computers to control movement of the pointer on the computer screen, has been replaced witb a built-in "trackball", centred below the keyboard, which – with some practice – can be manipulated with the thumb without lifting the fingers off the keyboard.

With Its PowerBooks Apple has introduced an innovative keyboard design with an integral palm rest. The keyboard occupies the back half of the unit, rather than being at the front as in most portable computer designs.

Apple consulted with several ergonomic and medical experts on the keyboard design and the company believes that it has come up with a design that is more comfortable and enables users to keep their wrists in a "neutral" position, avoiding the flection that some studies have identified as a risk factor in the development of repetitive strain injuries.

In addition, the Apple designers say that the palm rests incorporated in tbe PowerBook keyboard facilitate "micro pauses", resting the hand during periods of typing that reduce *stress on* the user's *hands*, arms, shoulders and neck.

Even when perched on the lap, or set in tbe confines of an airline seat, the PowerBook can be used without cramping the fingers over the keyboard in an awkward position.



Apple'a new crop of computers (left to right): the PowerBook 100, PowerBook 170 and PowerBook 140

The failure of the Macintosh Portable was 'like a good cold shower' that awakened Apple to the need to accelerate its product development efforts

The weight and size of the Apple notebooks is comparable with that of competing products. The smallest version of the PowerBook, the model 100, weighs in at 5.1 pounds, equipped with 2 Mbytes of internal memory and a 20 Mbyte hard disc drive. Bnt the model 100 lacks a built-in floppy disc drive, and an internal modem is an optional extra.

The model 140 has a built-in floppy drive as well as either a 20 Mbyte or 40 Mbyte hard disc drive. It also has a sligbtly higger screen, and weighs 6.8 pounds. It will be priced in the US at $2,900 to $3,500 depending upon memory and drive configurations.

The top-of-the-line model 170 features an active matrix display, whicb gives improved contrast and a broader viewing angle than the liquid crystal displays used in the lower-priced models.

It comes fully loaded with 4Mbytes of memory, a floppy drive, a 40 Mbyte hard drive and an internal modem for $4,600.

By launching three notebook models at once, Apple has demonstrated its determination to become a major participant in the portable computer market. If Apple is successful, however, it will be a case of "third time lucky".

Apple's first effort to produce a portable computer was in the early 1980s, when it promised a carry-along version of the Apple II. Eventually, Apple introduced the Apple IIc, a compact desktop model that lacked an integral display unit.

The "Macintosh Portable" announced two years ago was supposed to launch Apple into the laptop computer market, but its weight and bulk proved unpopular.

A high price tag, in part due to the incorporation of leading edge display technology, was its downfall. Apple this week officially withdrew the product.

The failure of the Macintosh Portable was "like a good cold shower" that awakened Apple to the need to accelerate its product development efforts, "to get products out faster and at much lower cost," says Sculley.

Eighteen months ago, Sculley took charge of Apple's product development himself and adopted the title of chief technical officer. One of his first decisions was to seek outside help from Sony, a long-time supplier to Apple of displays, disc drives and other components.

Sony is manufacturing the PowerBook 100 on Apple's behalf. The Japanese consumer electronics giant also played a leading role in the development of the Apple prodoct.

"It was a question of how many things we could undertake at one time," Sculley recalls. While Apple's own prodnct development groups were focusing on the "start from scratch" projects of designing what were to become the PowerBook 140 and 170 models, Sculley saw the need for a lower-priced entry-level notebook model.

The Sony-Apple alliance, known within Apple as the Asahi project, began in June 1990 when Apple presented Sony with "a half-page specification" based upon the architecture of the Macintosh Portable.

Moch give and take and many thousands of miles of travel later, Sony recently began manufacturing the PowerBook 100 at its plants in Japan and San Diego, California, last month.

The Apple-Sony alliance "is an indication that if Apple is going to expand its role in the personal computer market, to muve out of the sandbox on to the beach, the company will have to have more partnerships with companies that we trust and respect," says Sculley.

He is, however, quick to refute suggestions that Apple's relationship with Sony may expand to become comparable with the company's recently announced alliances with IBM.

"We have a fine relationship with Sony, but the relationship with IBM is seminal, there will be nothing that compares with it in tha 1990s," the Apple chairman stressed.

While Sony is helping Apple to achieve its immediate goal of staking a claim in the notebook computer sector, IBM has become Apple's strategic partner in a long-term bid to create the dominant personal computer architecture of the 1990s and beyond.

For Apple, however, the Macintosh PowerBooks are not just interim products. Apple recognises that it must quickly become a major force in the notebook computer market if it is to be capable of fully exploiting the opportunities that its new relationship with IBM promises.

The missing link at CTCs

By Andrew Adonis

"A CITY Technology College is a technology-rich environment. The quality of teaching and learning in CTCs is greatly enhanced by the carefully planned use of technology, especially information technology, in all subjects."

So goes the blurb in the framework *document for* 15 CTCs, set up – or soon to be – under the initiative launched by Kenneth Baker when education secretary in 1988. CTCs were intended to be "beacons of excellence", with private-sector finance bringing high standards and a practical curriculum to Britain's beleaguered inner cities.

In reality, corporate donors have been notable mostly by their absence, with the tax-payer picking up most of the £135m tag for the existing and projected colleges. What about the technology?

CTCs are bound by tbe national curriculum, and offer much the same range of GCSEs and A-lavels as other state schools – though with additions: Business and Technician Education Council vocational courses are on offer in most, *and one offers the six-subject* international baccalaureate as a broader-based alternative to A-levels.

Beyond that, however, CTCs *are keen to stress their* practical bias. CTC pupils have to take at least two technology-related subjects up to GCSE, and balanced science is compulsory. All CTCs have lavishly equipped technology facilities – so lavish that there is not always space in the labs for pupils to perform more mundane tasks. Leigh CTC in Dartford, Kent, boasts that science and technology occupies half the curriculum, rising to 60 per cent as pupils progress through tha college. Computer literacy is "a basic necessity": so is the "very latest" in IT.

"Our college-wide, IBM compatible, industry standard compnter network, using Olivetti machines, introduces everything from word-processing to computer-aided design into avery aspect of the curriculum," says Leigh's prospectus. In foreign languages, for example, pupils can watch or listen live to 35 TV and radio channels in several languages and use word processing and database packages adapted to language courses.

TECHNICALLY SPEAKING

It is not all science, videos and word processing, however. "Enrichment activities", to use CTC jargon, are integral to the curriculum, and include employer placements, "citizenship", community service, physical education, clubs, art and music. The last is taken more seriously than in many state schools these days: Haberdashers' Aske's Hatcham CTC, in New Cross, offers free introductory courses of 10 lessons in the full range of instruments, and has some funds available for pupils showing promise but unable to pay for *subsequent tuition. Most CTCs* schedule enrichment activities for an hour after the end of lessons on a few days a week.

For one CTC which opened last month, the arts *are* the core curriculum. Britts, in Croydon, south London, is the first "City College for the Technology of the Arts". Catering ultimately for 750 14- to 18-year-olds, it concentrates on the technology of the performing arts – recording, broadcasting, lighting, choreography, theatre management, and so on. "We're not interested in people with masses of tap dancing certificates," says Colleen Hue, Britts'a marketing director. "We want people with a keen interest in performance and technology." And they are expected to work hard at it: the school day extends from 8.30 am to 5 pm (1 pm on Fridays).

Are CTCs about to transform the national curriculum? Several of their principals would like to think so. But to date Her Majesty's Inspectorate has reported on only one CTC, Kingshurst in Solihull, and the inspectors were highly critical of its teaching in one area above all – technology.

FT LAW REPORTS

Writ can be served by agreement

KENNETH ALLISON LTD v A E LIMEHOUSE & Co
House of Lords
(Lord Bridge of Harwich, Lord Templeman, Lord Goff of Chieveley, Lord Jauncey of Tullichettle and Lord Lowry):
October 17 1991

A WRIT may be effectively served on a defendant to contractual or non-contractual litigation if served, not in accordance with the Supreme Court Rules, but in the manner and at the place agreed between the parties, irrespective of whether they are agreed for the purpose of that particular litigation, or as part of a wider agreement relating to disputes between the parties in general.

The House of Lords so held when allowing an appeal by the plaintiffs, Kenneth Allison Ltd, from a Court of Appeal decision (Lord Donaldson MR dissenting) that a writ had not been duly served by Allison on the defendant, A E Limehouse & Co.

LORD BRIDGE said that Limehouse were chartered accountants. On October 5 1987 Allison issued a writ against them claiming damages for negligence in carrying out an audit.

On October 4 1988, the last day of the currency of the writ, a Mr Swann attended Limehouse's offices to serve the writ.

The receptionist called the senior partner's personal assistant, a Mrs Morgan, to the reception area. Mr Swann showed her the writ.

She told him she would have to refer the matter to a partner. She left him in the reception area and went to speak to a partner, Mr Hall, who told her she might accept the writ.

Mrs Morgan returned to the reception area. She told Mr Swann she had been authorised to accept the writ. She received from him a sealed copy of the writ and a form of acknowledgement of service.

Limehouse applied for an order setting aside service or declaring that the writ had not been duly served. The application was dismissed by Mr District Registrar Rutherford, but allowed on appeal by Mr Justice McCullough. Allison's appeal was dismissed by the Court of Appeal, Lord Donaldson MR dissenting.

Allison now appealed.

The question was whether the Rules of the Supreme Court relating to service constituted an exclusive code for effective service, or whether, if parties agreed on a mode of service outside the Rules, service in that mode ("consensual service") would be effective.

RSC Order 10 rule 1(1) provided that "a writ must be served personally". Sub rules (2)(3) and (4) provided for service by post or through a letter box, or on a solicitor.

Order 65 rule 2 provided that "personal service ... is effected by leaving a copy of the document with the person to be served".

Where, as here, partners were sued in the name of a firm, Order 81 rule 3 provided that the writ might be served on any one or more of the partners, or by post to the principal place of business or on any person having control or management of the partnership business there.

Mr Vallance for Allison submitted that the writ was served personally on Mr Hall.

That was not accepted. Personal service required that the document be handed to the person to be served.

It followed that Mr Vallance must rely on Mr Hall's express authorisation to Mrs Morgan to accept service on his behalf, which was communicated to and acted on by Mr Swann when he handed the writ to Mrs Morgan.

The relevant decisions were in relation to the 1883 Rules, which provided by Order IX rules 1 and 2 that the court might order substituted service where a plaintiff was unable to effect prompt personal service. By rule 1(e) service out of the jurisdiction was allowed in a contract case "unless the defendant is domiciled or ordinarily resident in Scotland or Ireland".

In *Montgomery, Jones & Co [1898] 1 QB 487* a contract between an English company and a Scottish company provided that for the purpose of legal proceedings service on the Scottish company might be effected at the London Corn Trade Association.

Counsel argued that service was not valid unless effected according to the Rules. The Court of Appeal held that there was nothing in the Rules to prevent the parties from agreeing the manner of service.

Mr Dowley for Limehouse accepted that *Montgomery* was correct but submitted that the principle must be limited to cases where agreement as to mode of service was embodied in a wider contract and provided for institution of proceedings relating to that contract.

It did not apply, he submitted, to an *ad hoc* agreement made in relation to other contemplated proceedings.

There was no good reason in principle for making that distinction.

If the rules in force in 1898 did not prohibit parties to the contemplated litigation from effecting service in a manner agreed between themselves, there was no ground for saying that an *ad hoc* agreement specifically relating to mode of service would, at that date, have been any less effective than an agreement embodied in a wider contract.

No doubt if the present case had come before the court in 1898, validity of the service would have been affirmed.

The question was whether subsequent changes in the Rules had introduced a prohibition on consensual service.

In 1920 a new rule 2A provided that parties to a contract might agree that the High Court should have jurisdiction on that contract and that service might be effected within or outside the jurisdiction in any specified manner.

It was a formal adoption and an extended application of the Montgomery, Jones principle.

The 1962 revision substituted for Order XI rule 2A a new Order 10 rule 3. It provided that where the High Court had jurisdiction to hear a contract case and the parties had agreed that a writ might be served in a specified manner and it was served in accordance with the agreement, then "notwithstanding anything in rule 1(1) ... the writ shall be deemed to have been duly served".

Order 10 rule 3 of the 1965 revision provided that where a contract contained a term that the High Court should have jurisdiction and provided that that process might be served in a specified manner, service in accordance with the contract "shall ... be deemed to have been duly served".

The crucial question was whether the express provision in the Rules for consensual service in contract cases excluded consensual service in any other case.

In the light of the legislative history it did not.

The general approval given by the Court of Appeal in *Montgomery, Jones* to consensual service outside the Rules must have been perfectly well-known to the revisers and, if they had intended to curtail it, they would have effected that intention directly and unambiguously.

It was said it was necessary to require strict adherence to the Rules in order to achieve certainty with respect to date of service.

There was no reason why it should be more difficult to establish the date of consensual service than of personal service. There was certainly no difficulty in the present case.

Lord Donaldson summed the matter up correctly when he said: "The Rules are the servants of the courts and of their customers, not their master, unless expressed in a wholly mandatory and exclusive fashion, which these rules are not."

The appeal was allowed.

Lord Templeman, Lord Jauncey and Lord Lowry agreed.

LORD GOFF agreeing that the appeal should be allowed but on different grounds, said that Order 10 rule 1(1) was expressed in mandatory terms – "a writ must be served personally on each defendant by the plaintiff or his agent".

It was important that those concerned at court offices should know precisely what mode of service had been adopted. It was not surprising that the rules should provide for a mandatory method of service.

Effect must be given to the Rules in accordance with their terms.

Here there was no good and effective service in accordance with the Rules.

But Mr Hall and Allison acting through Mr Swann, proceeded on the common but mistaken assumption that service on Mr Hall's authorised agent would constitute good and effective service.

On those facts Limehouse would be estopped by convention from thereafter contending that there was not good and effective service.

For Allison: Phillip Vallance QC (Gregory Rowcliffe & Milners).
For Limehouse: Dominic Dowley (Pinsent & Co).

Rachel Davies
Barrister

MANAGEMENT: The Growing Business

In brief...

■ Nine London-based Training and Enterprise Councils (Tecs) have combined to provide £25,000 of sponsorship for the Accelerated Growth Programme, aimed at managers of established businesses, run by Greater London Enterprise.

Similar courses run by management schools and colleges elsewhere have had to be cancelled following the failure of local Tecs to provide funding for courses which attract students from outside the Tec area. The London Tecs will fund managers from companies in their areas.

Managers from 20 companies are attending the present course. The sponsors are meeting £1,250 of the £1,750 fee. The next course is due to start in spring 1992.

Contact Timothy Cumming, Enterprise Training Centre, Greater London Enterprise, 63/67 Newington Causeway, London SE1 6BD. Tel 071 403 0300.

■ Small accountancy firms freqnently find themselves advising small businesses in sectors of industry and commerce with which they – the accountants – are not familiar.

A series of Small Business Briefings providing information on business trends and accounting and tax requirements in 40 business sectors has been published by Manchester Business School to allow the accountants to take a more professional approach to these clients.

The series includes briefings on architects, building contractors, the retail motor trade and travel agents. The launch set of 40 briefings cost £85. At least 20 will be updated annually. The 1992 subscription price is expected to be about £65.

Contact Gee (Publishers), South Quay Plaza, 183 Marsh Wall, London E14 9FS. Tel 071 538 5386.

■ National Westminster Bank has published a handbook for would-be small business owners entitled The Business Start-up Guide.

The 54-page guide inclndes the ontline framework for a business plan and devotes sections to the implications of setting up in business, sources of advice and legal qnestions.

Available from NatWest branches. Free.

Charles Batchelor on the problems of complying with a tough new Customs & Excise tax regime

When the VATman gives no quarter

The margins on the four dnmp-trucks Auhrey Mace bought and sold last October were slim to start with. By the time Customs & Excise had slapped on a penalty for "serious *misdeclaration" for failing* to abide by the VAT rules *and* charged default interest, Mace was seriously into the red on the deal.

Mace is donbly annoyed because, he says, there was no deliberate attempt to defraud and there was no suggestion thet the VATman would lose ont. Mace's fault was one of timing; he registered the deal for VAT purposes in the wrong quarter.

The details are as follows. Mace bought the dump-trucks on October 26 for £260,000 plus VAT of £39,000. He sold them two days later – on the 28th – for a profit of £4,000 and booked the sale through his VAT records in the VAT quarter ending October 31.

"I sent the VAT book away and didn't think any more about it," says Mace, who deals in second-hand construction equipment from his farm just outside St Austell, Cornwall. The equipment business turned over £2m last year.

But Mace had overlooked a detail of the VAT regulations, says Chris Allen, bead of VAT consultancy at accountants Grant Thornton, which provides VAT advice to Mace's own accountant. In principle, the date a deal is done is taken as the tax point for VAT purposes – unless the supplier issues an invoice within 14 days, in which case the date of invoice must be used.

The company from which Mace bought tbe dumpers issued its invoice within 14 days – on November 2 – so Mace should have listed the deal in the next quarter, ending January 31. For this oversight, which did not deprive the VATman of revenue, Mace was required to pay a serious misdeclaration penalty of £11,700 (a standard 30 per cent of the VAT involved) and default interest of £982.

Anbrey Mace is just one among many hundreds of businessmen and women to feel the effects of the tougher VAT enforcement regime which has been progressively introduced over the past five years. The final stage, in April 1990, *brought in tough new penalties* to make sure people filled in their VAT raturns accurately.

It was this final stage, and in particular the serious misdeclaration penalty of 30 per cent of unpaid VAT, which has aroused tbe loudest howl of protest from the business community and the accountants who advise them. So strong was the clamour that Norman Lamont, tbe cbancellor, *announced in his last budget* that the penalty would be rednced to 20 per cent pending a review of the system.

Customs say it had received "several bundred" submissions by the closing date of September 30 while organisations such as tbe Institute of Directors (IoD) say the issue of VAT penalties has produced a beavier postbag tban any otber tax issue.

Apart from the very smallest businesses – those with turnover of less tban £35,000 – VAT catches firms of all sizes in its net. But it is the small and medium-sized businesses which face the greatest problems in dealing with the complexities of tax.

As governments have delegated more of the administrative burden to business, small business owners have had to devote a disproportionate amount of their time to dealing with tax issues.

Governments bear only one-fifth of the cost of collecting taxes so have little incentive to reduce the cost of compliance, according to a Europe-wide survey carried out by Graham Bannock & Partners, a consultancy.

"Traders and their staff are not, as the law seems to expect, experts in the complex VAT tax law," the IoD argued in its submission to Customs. "Even if they were, unintentional mistakes and genuine misinterpretations of the law would still take place."

Since small businesses receive fewer visits from the VATman than larger companies, errors may be repeated over several years before they are discovered, thus compounding the amount of the *discrepancy* and the *size of the* penalty.

The intricacies of the VAT regulations have proved particularly taxing for the building industry, where large numbers of often financially unsophisticated subcontractors have run into difficulties over VAT rates, says Liz Bridge, secretary to the construction industry's joint taxation committee.

Subcontrsct work on a *house-building project is zero*-rated for VAT but subcontractors working on sbeltered housing schemes must charge VAT st the standard rate of 17.5 per cent on the work they do for the main contractor.

One subcontractor is currently facing a penalty of £69,000 despite the fact that be was assured by the main contractor that the work was zero-rated, while Customs did not stand to lose any revenue as a result of the mistake.

"We have been through six months of absolute hell," he says. "The subcontractor has no way of knowing what the VAT rating is. If I went to the main contractor and told him the work was VAT-able he would throw me off the site. This all costs time and leads to bigger accountants' bills."

The main complaint of the business community is the lack of "mitigation" in the present penalty regime. Businesses cannot argue for a reduction in the penalty even if the circumstances of the VAT misdeclaration would appear to warrant leniency.

The present regime is so seriously flawed that it bas brought the penalty system, and its administration by Customs, into public disrepute, the Institute of Chartered Accountants in England and Wales (ICA), argued in its submission to government. The penalties were often disproportionate to the nature of the error and produced no incentive to compliance by traders who were already making tbeir best efforts, it said. A maximum penalty rate of 20 per cent is only justified if a system of mitigation is introduced, tbe ICA said, though the IoD wants the maximum set at just 10 per cent.

Aubrey Mace: doubly annoyed

Tbe ICA called for a new defence of "reasonable care" to be introduced. This would apply wbere a trader bad installed systems and procedures, including staff training, whicb would be expected to be satisfactory for processing VAT information.

The IoD believes that Customs would be more sensitive to the problems it causes business if it were liable for a heavy penalty for its own mistakes. "Indeed there is a case for higher penalties on Customs than on traders for errors arising from misinterpretations of the law or administrative error," the IoD said.

As governments have shifted a greater tax administration burden on to business so the need for accurate interpretations of tbe rules has increased. Small businesses can consult their accountants bnt the accountants often need, *in turn, to refer to the* tax anthorities for a ruling.

This is likely to become more difficult if Customs' plans to decentralise more advisory work to its regional offices, announced last month, are carried through. Customs' London head office currently handles 200,000 telephone queries and 6,000 to 7,000 written enquiries a year. It believes that many of these could be dealt with by local offices, freeing beadquarters to devote more time to policy-making and to providing better guidance to local offices.

However, many accountants fear that unless local officers are properly trained, decentralisation will mean less consistency in the interpretation of the rules and ultimately an increase in the number of disputes going to VAT tribunals.

Even written advice from a VAT officer cannot always be relied on if a dispute goes to a tribunal, complains Tony Millar, financial affairs committee chairman of the Federation of Small Businesses. "Customs seems to take the view that it is not there to provide advice. It is a system that it has imposed on us hut we have the dubious pleasure of paying an accountant to ensure we are following the law."

The hurden of complying with tax law is set to increase rather than diminish over the next few years. The Inland Revenue's plans to move to a system of self-assessment, known as "pay and file", from 1993 will add to the demands on the business community during the change-over period. Keeping the taxman happy is going to take an even larger amount of time.

Pinter principle of persuading prospects

By Charles Batchelor

The Britisb have an *ingrained* suspicion of salesmen; they prefer, in theory at least, the noble task of manufacturing to the slightly mucky businesss of selling. This may explain why the anthors of four of the six books reviewed here are North American or have North American business experience.

Only two of the handbooks are specifically designed for the small business owner but each contains useful tips for the person with a product or a service to sell. Collectively they provide an intriguing glimpse of a world whicb divides people into suspects (not ready to buy yet) and prospects (who are willing and able to buy) and where casual conversations are scrutinised with Pinteresque intensity to divine their message and the *likelihood of clinching* a sale.

The title of Inspired Selling *(JT Auer, Kogan Page. 150 pages, £7.99)* may itself prove a deterrent to some would-ba readers but this guide is both the most readable of the quartet written for the individual salesman and also the most informative.

Do not run away from objections; confront them, says Auer. Your prospect thinks a competitor's machines are more efficient? Ask him if he will give yon the order if you can prove your machines are better. He can hardly say no since yon are promising to meet his objection. Provided you can demonstrate the efficiency of your machine, and your training should have prepared you to do this, the sale should be yours.

Sales Master Class, 80 Essential Tips for Serious Salespeople. *(Nigel Henzell-Thomas, Hutchison. 238 pages, £5.99)* makes the reader work harder for his nuggets of information. Too often advice remains on the level of banal geoeralisation and fails to provide enough significant detail and useful anecdote.

The 25 Most Common Sales Mistakes and How to Avoid Them *(Stephan Schiffman, Kogan Page. 112 pages, £5.99)* continues the previous book's obsession with numbers but is more successful within its more modest aims.

Keep in touch with the business affairs of your prospective customers and of their industries, *it advises under mistake* 16: not keeping up-to-date. A courier company could have sold its services to a large company much sooner if it had been aware that a rival of its potential customer had begun to use couriers.

Techniques for cold calling, frequently as daunting for the salesperson as it is annoying to the recipient, are explained in Selling Professionally *(Rebecca Morgan, Kogan Page. 102 pages, £5.99).* Sncress, it appears, requires the salesperson to avoid undue familiarity but at the same time not give the prospect's secretary the impression that he does not know the prospect at all.

This is a compilation of basic but quite useful suggestions on technique. Avoid conversation stoppers sucb as "You don't *know me* hut ...," when telephoning, it advises.

The Barclays Guide to Buying and Selling for the Small Business *(John Gammon, Blackwell. 184 pages, £6.95)* also contains useful tips for the individual salesperson but concentrates on sales strategies for the small business.

It too picks up the theme that information can increase confidence and sales. It cites the case of the owner of a small hardware store who was faced with the opening of several large DIY stores in his area. He checked the prices of the large stores and found that his own were competitive. This allowed him to give a good answer on the few occasions when customers challenged his prices and increased his confidence in the consumer appeal of his products.

This guide offers a combination of concise explanations of the theory combined with examples of how the strategies work in practice.

How to Increase Sales withont Leaving your Desk *(Edmund Tirbutt, Kogan Page. 162 pages, £7.99)* also takes a broader view of selling and devotes much space to subjects such as advertising, the use of mailshots and pnblic relations. Short on the inspirational approach which drives JT Aner's encounters with his customers, it provides a workmanlike account of how to sell withont ever meeting your prospects face to face.

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ARTS

Sculpture married to architecture

William Packer reviews Anthony Caro

At 67, Anthony Caro is now generally acknowledged as pre-eminent in his field, the one British sculptor of onquestioned international authority and reputation. Since the death of Henry Moore five years ago, whose assistant he had been in the early 1950s, he has stood quite alone, and indeed bestrode his narrow world long before that. If Moore was ever the old King in his castle at Much Hadham, Caro was Prince Hal, commanding his own generation, creating the new order, setting the pace.

Yet it all happened for him very quickly. The Tate bought its first Caro, a figurative work of the mid 1950s, in 1959. A year later he was back from a first visit to America already the friend and colleague of his new-found American peers, most especially the critic, Clement Greenberg, the sculptor, David Smith, and the painter, Kenneth Noland. He began at once to make welded-steel sculpture of an uncompromising ebstractioo, and as soon was famous. Major one-man and group exhibitions followed in close order, culminating in 1969 in the retrospective that was the Hayward Gallery's inaugural exhibition.

Since then, surprisingly, while the career has prospered wonderfully at home and abroad, the Tate, though continuing to acquire examples of his work throughout, has waited until now to offer him a significant solo exhibition. Thus *Sculpture towards Architecture*, which fills the long central axis of the Tate with a mere four works (until January 26: sponsored by KPMG Management Consulting), is necessarily an event of considerable interest and even importance.

Small wonder then that others should take their chance to mount pendant shows: Annely Juda Fine Art (23 Dering Street W1: until November 30) and Andre Emmerich (41 East 57th Street, New York: until November 16) show works from the recent *Cascades* series in tandem; and Knoedler (22 Cork Street: until November 16) has two large pieces, of 1974 and 1987.

Caro has long professed, indeed demonstrated his interest in the consonance between sculpture and architecture. He has done so not merely by simple reference through the inner structures and integral order of the works themselves, but often in the most direct and practical of ways, working closely with architects from the outset of any particular project. What the Tate has offered him is the chance to work on a scale not merely architectural but monumentally so.

The high colonnaded neo-classicism interiors of the Tate's Duveen Galleries offer a challenge which Caro has met head-on, in the central octagon, with his own *Octagon Tower:Tower of Discovery*, a wonky swirling edifice that the visitor may climb, with some care, to view the long halls far below. He has made several such overtly architectural pieces in recent years, redolent of shacks and tree-houses, albeit of heavy metal. This one also carries clear hints at Tatlin's Tower and Boccioni's futurist figures, for Caro is much given to art-historical allusion.

But if the tower is immediately the more striking, the more massive is *After Olympia*, some 25 yards long, made in 1987 in conscious paraphrase of the west pediment of the Temple of Zeus, now in the Olympia Museum. It is long, low and narrow and would be in high relief were it set in its natural position on the Temple front. The other works, *Night Movements* – four free-standing related elements of 1990 and *Xanadu* – a kind of metal hedge or fence of 1988 – huge as they are, seem small by comparison.

But all of them demonstrate Caro's remarkable formal command of his material, his compositional dexterity and assurance, his unfailing lightness of touch and formal wit. The intractable steel is bent, folded, cut like butter, the particular off-cut, fragment, remnant, picked up and put in its place, just so. Such facility is enviable, indeed amounts to true quality, but it remains a formal quality. And it is here that we enter more debateable a territory.

For Caro came into his own by his rejection of an openly subjective and personal expression in favour of something infinitely more remote, impassive, cerebral. All hint of figurative reference was given up and any humanity that remained was only what the viewer might bring with him, in terms of a scale with which he might identify, and the spaces and structures he might move through and around in his imagination – like architecture. Quite why Caro felt the need to make this rejection, with its infinitude of emotional response and possibility, which Moore, his sometime mentor, could never make, who would say?

All ooe can say is that formalist principles were in the air. The time was ripe for such a move, and Caro was by no means alone in making it. Figurative or abstract, the common move was away from untidy and discomposing expressionism, with Andy Warhol quite as much a fellow traveller as any Noland, Stella or Anthony Caro. And the problem with Caro, as with all those others, is that he has been engaged in an intuitive yet inhibited withdrawal from that cool, theoretical position ever since.

He would still have it both ways, vehemeotly resisting the very idea that his works are about anything other than what they are in their physical beings, yet provoking the imagination by the suggestive perversity of his titles, and producing images that are undeniable in the imaginative associations – to landscape, figures, still-life – that they generate. The *Cascades* at Annely Juda make the point as clear as could be, images of falling movement – of water, ice, a branch, the cloth off the table – and all done with an elegance of functional invention and transformation that is quite remarkable.

Anthony Caro remains the consummate, inventive formalist he has been these 30 years past, but Caro the figurative, expressive, truly free and intuitive artist was never away, only suppressed. It is time he came out.

'Octagon Tower/Tower of Discovery', 1991, by Anthony Caro : one of four monumental pieces currently at the Tate

Die Walküre

THEATRE ROYAL, GLASGOW

The new Scottish Opera *Ring* reached its second part on Saturday, with a *Walküre* that to our enthralled ears and eyes opened new worlds of colour, fantasy, narrative illumination, new routes of approach to Wagnerian music-drama. A few moans will be emitted during the course of this notice: but the biggest of them concerns the time it has taken to arrive from the triumphant 1989 *Rheingold* at this brilliant and beautiful new *Walküre* (aod the production of *Siegfried* threatens to be similarly delayed).

That's far, far too protracted a building time-schedule. For without doubt this is proving the era's trend-setting *Ring*, in this country and perhaps eveo elsewhere; and in spite of all the company's current monetary agooies, ways *must* be found for Scottish Opera to move faster ahead on the project, freely and without delay.

The success of that *Rheingold* was no fluke. Richard Jnoes (producer) and Nigel Lowery (designer) make the point by taking the same theatrical style introduced there – a dazzling mixture of bright poster-paint colours, images child-like io vividness, a semi-surreal control of theatrical space and symbols, and the sharpest-pointed narrative economy – and developing it to suit the grander and more emotionally powerful lineaments of the second *Ring* instalment.

In Jones's treatment, *Das Rheingold* was a comedy with serious undercurrents; further evidence that he is probably the most original producer now at work in British opera is provided by the development of those porteots. As ever in his work, the style is easier to accept, succumb to, be enchanted by, than to describe. He invents his own rules of dramaturgy, sticks to them with insouciant disregard for fashion, and, wonder of wonders, those rules prove to keep faith with Wagner's – honestly, simply, directly.

In Act 1 a graded series of semi-abstract tree patterns painted on the backcloths is phased, one by one, to parallel Siegmund's movement toward sword-discovery. Again, use of backcloths and front-lighting makes Brünnhilde's final eocirclement in fire a moment of purest theatrical magic – the more magical, indeed, for the impudent sleight-of-hand and age-old theatre techoiques involved. Even in those few moments when I failed to follow the producer's gist – for instance, his presentation of the Valkyries as purple-clad, high-wimpled witches on stilts, which seemed unusually at odds with the music – I was still swept along by the exhilaratingly free-spirited theatricality of the show.

In new ways this low-budget *Walküre* creates and sustains epic dimeosions (so painfully lacking in the Royal Opera's time-tunnel *Ring*). That the Wagnerian lyric theatre can be again a place of fantasy, as it was in the Bayreuth heyday of Wieland Wagner but has been too seldom since, is asserted with confident authority by the Scottish Opera productioo team. They and their intelligently chosen cast achieve this no less by telling the story with close accuracy, and by beaming fresh light on the characters (the sequence of glances, nervous, embarrassed, then frankly amazed, exchanged by Siegmund and Sieglinde is a marvellous example). The baggage of heavy-breathing ideology is thrown out; the Wagnerian vehicle moves forward with new fleetness of foot; but the intellectual seriousness of the whole journey can hardly be over-emphasised.

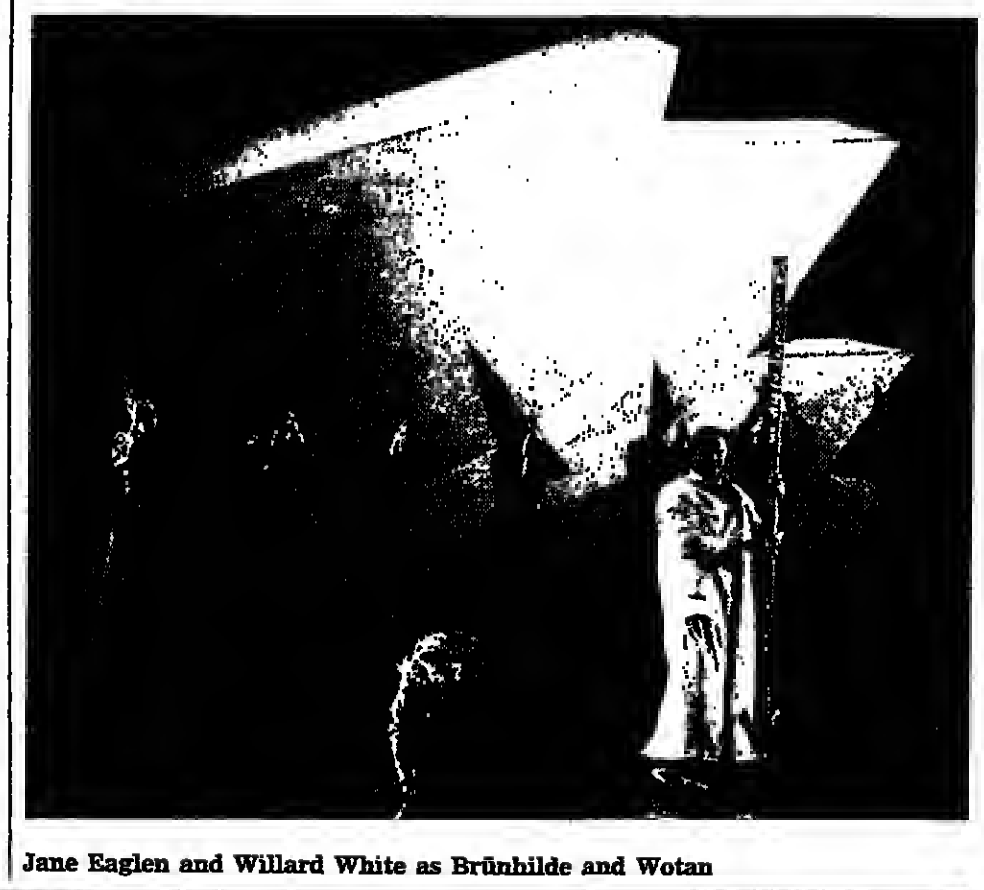
The unfolding of a new *Walküre* is always a momentous happening in the life of any opera company. Not everything can be expected to come right, especially if, as here, conductor and cast are tackling the work for the first time in the theatre. This will place in perspective Saturday's most important disappointment: the conducting of John Mauceri and the playing (too often scratchy and unblended) of the orchestra. Mr Mauceri, who made the *Ring* prelude dance and sparkle, seems quite overwhelmed by the greater demands of *Die Walküre*. A lack of weight – which, in this ideally medium-sized theatre, should be much more easily compassed – went hand in hand with a failure to grade each of the mighty act-spans toward climax. Little things were sometimes sensitively achieved; largeness proved elusive.

Perhaps it is because the conducting falters in holding taut the unfolding line of drama that one continually registers the erratic command of Germao by an entirely English-speaking set of principals. (Was there a language coach on set?) The three young Americans of the cast – John Keyes (Siegmund), Carol Yahr (Sieglinde), and Kevin Maynor (a pleasant-sounding, insufficieotly imposing Hunding) – tend to pronounce, not always accurately, rather than speak idiomatically in song; Jane Eaglen's Brünnhilde gabbles; and only Willard White (Wotan) and Sally Burgess (a sensationally glamorous, bold-voiced Fricka) show any sort of skill in strikiog fire from words and tone.

No doubt matters will improve; already the vocal rightness of the entire cast and the sympathetic character-depiction of almost all count as considerable compensation. Mr White closed the evening with a Farewell – rich, warm, glorious in emotional power and musical shapeliness – that surpassed the highest expectations. He is a superb artist approaching the peak of his mature powers, and once he has learned to pace himself more cunningly through the whole opera, his addition to the ranks of world-class *Walküre* Wotans will be a cause of universal celebration.

To discover two such promising Wagner voices, full-grained, smooth in legato, free from humps and grinds, as those of Miss Yahr and Mr Keyes is a Scottish Opera coup. Miss Eaglen in her first Wagnerian dramatic-sopraoo role must be judged with a Solomonic blend of tenderness and severity. After a nervous war-cry the voice began to ring out with a clarion freedom that soon had one reaching for hasty comparisons with Eva Turner. In terms of personality, though, she shows us an uncommunicative Brünnhilde – the problem is not the soprano's figure, rather her constrained stage manner and address. Of a young British singer so boundless in potential we can be forgiven for intemperately demanding much more.

Max Loppert



Jane Eaglen and Willard White as Brünhilde and Wotan

The Hang of the Gaol

LATCHMERE THEATRE, BATTERSEA

In some respects this 1978 play by Howard Barker seems very topical, and in others it is as dated as the blasts of punk music which punctuate the scenes. All ways round, it is a vigorous and colourful piece of writing which crowds the stage political conscience, reminding one how this talented maverick came to be wrongly bracketed in so many minds with the state-of-the-nation playwrights of the 1970s.

Barker's setting is a burnt-out jail the morning after the inferno. Fire investigators poke around the charred remains as the two remaining "screws" try to effect a ritual defecation in the ruins and an inquiry is set in motion. The prison governor is a liberal, who has befriended a jug-eared murderer. Turk, played with high cunning by Jonathan Coyne, is one of several overtly Shakespearean characters – a cross between Lear's fool and Caliban, whose presence emphasises the gullibility of authority while underlining Barker's obsession with the power – and impotence – of language. "Tell 'em in Whitehall there is no reconciling E.M. Forster with a kicking in the testicles," is Turk's final, unhappy retort.

What has dated is not so much the play's subject matter – prison riots and overcrowding are, if anything, bigger news today – as the way in which the issues are personified. After more than a decade of Thatcher as Aunt Sally, it comes as a shock to find the principal political villain is a smarmy socialist in a raincoat, who talks man of the people while acting establishment stooge.

At heart this is a homily about integrity versus state service. In the best scene of the play, crackingly directed by Chris Fisher, the fragility of that integrity is illustrated through the cross-questioning of the panel. Brandishing a whisky bottle, Michael Vaughan's inspector loses himself in his infatuation with his female colleague, allowing a clerical pipsqueak to explode into a fascistic interrogation, while the unfortunate woman who is the object of Jardine's tipsy fancy fidgets with professional and sexual discomfiture. Yet Jardine, as Vaughan shows so well, is a man of principle and intelligence who knows when he is being knobbled.

It is downhill from then on in, as Barker gets ever more self-indulgent, although one can forgive him a lot for the breadth of his vision and the unflagging energy of his writing. And the London Actors Company throw the sort of resources into this revival that only Barker and Shakespeare can command. Twelve actors in a fringe play. Now, that's really dated.

Claire Armitstead

Feldman Soloists

ALMEIDA THEATRE, ISLINGTON

Any Londoner who follows new music must feel the loss of the annual Almeida Festival sorely. It was an opeo Contineotal window, and a showcase for fresh British composers, and a trans-Atlantic conduit too. Still, the new Almeida directors keep creditable room during the season for music in the old Almeida spirit; just now there is a mini-festival going on (until November 24, with Goethe institute sponsorship), "A German Legacy". The Feldman Soloists and their guests, who offered "A Berlin Legacy" on Sunday afternoon, recalled the best of the old Festival.

The ensemble takes its name from the late American composer Mortoo Feldman, and between the two intervals we duly heard his 1972 piece *Why Patterns?* It occupied most of half an hour, very very gently. Long, mostly even notes from the central flute – often in descending chromatic scales, though when Eberhard Blum changed to a bass flute it was only to breathe one note over and over again; softly chiming chords from glockenspiel and piano, never quite in synch.

After *Why Patterns?* came an answer of sorts, in the already familiar *Time Cycle* by the German-American Lukas Foss. It runs variations on tick-tock patterns most of the time, in this version with four very busy instrumentalists supporting the soprano (Ilse van de Kasteelan, coolly fervent). Foss's texts – Auden, Housman, Kafka, Nietzsche – are dramatised in her disjunct vocal line, whereas the tick-tocks belong to a quite different vein of experiment. The amalgam is "effective" enough; this composer's famously keen ear has always been quick to pick up trends, even promiscuous.

The things that challenged and rewarded musical ears had come, however, in the first third of the concert. The big flute-and-piano Piece in Two Parts by Stefan Wolpe, a Schoenberg pupil who made a career as an influeotial, much-loved teacher in Israel and America, is a characteristic exercise: toughly musical to a high standard, if a bit monochrome. Blum's forceful intelligeoce, with Nils Vigeland impeccably alert at the piano, exposed the original sinews of the musical argumeot.

Then Blum figured alone, and brilliantly, in the other ear-opening piece, Kurt Schwitters' *Ursonate* for speaking voice. The "score" consists of oonsense-words and bare letters of the alphabet in extended patterns, for rhythmic declamation without definite pitch. A whole "sonata" – an initial Rondo developed to the hilt, then a Largo in long gasps, a witty Scherzo-caricature and a classical Presto finale – is sketched in toneless black-and-white: no actual *music*, but far too lovingly drawn to be a mere revue-squib. Blum made it into virtuoso high comedy, with a seriously provoking subtext. Might the Classical sonata-ideal that he captured so expertly be after all just a sequence of aural thrusts, repetitions and pull-backs, and its standard "musical" dress mere window-dressing? It doesn't bear thinking about.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Thijs Kramer conducts a programme of choral works, including the Bach Magnificat and extracts from Mozart's Coronation Mass K317. In the Kleine Zaal, Sarah Walker accompanied by Imogen Cooper gives a Schubert Lieder recital. Tomorrow at 12.30: lunch concert with Hartmut Haenchen and the Netherlands Philharmonic Orchestra. Tomorrow, Thurs and Sat at 20.15, also Sun at 14.15: Haenchen conducts Shostakovich and Beethoven, with Bella Davidovich piano soloist (6718 345)

ATHENS

Concert Hall 21.00 Camerata of the Athens Concert Hall opens a new series of chamber orchestra concerts (722 5511)

BERLIN

Schlosspark-Theater 20.00 Mozart's Der Schauspieldirektor staged by Alfred Kirchner, in a co-production between RIAS and the Deutsche Oper. Runs till Nov 26, with next performances tomorrow and Sun (West Berlin 7931 515)

Philharmonie Kammermusiksaal 20.00 Hansjörg Schellenberger conducts the Haydn Ensemble Berlin in music by Michael and Joseph Haydn, with Daniela Damiano bassoon soloist. Tomorrow, Thurs, Fri, Sat: James Levine conducts the Berlin Philharmonic Orchestra (West Berlin 2614 383)

BOLOGNA

Teatro Communale 21.00 Pinchas Zukerman la conductor and violin soloist in an all-Mozart programme with the English Chamber Orchestra. Sat and Sun: Jukka-Pekka Saraste conducts the Orchestra of the Teatro Communale in music by Wagner and Liszt (529999)

BRUSSELS

Palais des Beaux Arts 20.00 Constantin Orbelian conducts the Moscow Chamber Orchestra in music by Bach, Prokofiev and Haydn. Tomorrow: Pierre Bartholomée conducts the Liège Philharmonic Orchestra in Tchaikovsky's Fourth Symphony and Mozart's Piano Concerto No 27, with Luc Devos. Sun: Jaan Fournet conducts the Belgian National Orchestra in a programme of Lalo, Poulenc and Beethoven (507 8200)

Monnaie 20.00 Das Rheingold: opening night of the third cycle of the Brussels Ring, staged by Herbert Wernicke and conducted by Sylvain Cambreling. Tomorrow: Die Walküre. Fri: Siegfried. Sun: Götterdämmerung. The final cycle begins next Tues (219 6341)

Théâtre National 20.30 Kleist's Amphitryon directed by Marc Liebens. Runs till Sat. The next production is Büchner's Leonce and Lena, opening on Nov 21 (217 0303)

CHICAGO

Lyric Opera 19.30 Andrew Davis conducts Peter Hall's production of Le nozze di Figaro, with a cast led by Samuel Ramey, William Shimell, Felicity Lott and Frederica von Stade, also Fri. Tomorrow and Sat: I Puritani (332 2244)

LONDON

Covent Garden 19.30 Sian Edwards conducts Nuria Espert's production of Rigoletto, with Matteo Manuguerra in the title role, Bruno Caproni as the Duke and Judith Howarth as Gilda. Tomorrow, Fri and Sat: David Bintley's ballet full-length Cyrano. Thurs: new production of Les Huguenots (071-240 1066)

Royal Festival Hall 20.00 The Michael Nyman Band presents the world premiere of the concert version of Nyman's soundtrack for Prospero's Books. Tomorrow: Oliver Knussen conducts music by Schoenberg, Smirnov and Takemitsu (071-928 8800)

Sadler's Wells 19.30 Sankai Juku: presented as part of the Japan Festival, this performance combining opera and dance provides an opportunity to witness the surreal side to Butoh culture. Runs till Nov 2, except Sun and Mon (071-278 8916)

Royalty Theatre 20.00 Rambert Dance Company opens a one-week season which will include three London premieres: Lucinda Childs' Four Elements, Siobhan Davies' Signature and Laurie Booth's Completely Birdland. Next week: Northern Ballet Theatre production of Romeo and Juliet (071-494 5090)

MADRID

Tonight's concert at the Auditorio Nacional de Musica is a programme of string sextets by Richard Strauss, De Pablo and Brahms, played by the Sexteto de la AIEC de Lille, with an alternative programme on Thurs. Tomorrow's concert by the Deutsche Camarata Nauss includes Mozart's Piano Concerto No 14, with Joaquin Achucarro director and soloist. On Fri, Sat and Sun, Aldo Ceccato conducts the Spanish National Orchestra in a programme of Stravinsky, Barnaola and Dvorak (337 0100)

NEW YORK

Avery Fisher Hall 19.30 Kurt Masur conducts the New York Philharmonic Orchestra in Dvorak's New World Symphony and Schnittke's First Cello Concerto, with Natalia Gutman. Thurs, Fri, Sat and next Tues: Claus Peter Flor conducts Mozart and Shostakovich, with Rudolf Firkusny piano (875 5030)

Carnegie Hall 20.00 Kazimierz Kord conducts the Warsaw Philharmonic Orchestra in Beethoven's Egmont overture, Shostakovich's First Symphony and Prokofiev's Second Piano Concerto, with soloist Alexander Toradze. Sat: Ozawa conducts Pique Dama (247 7800)

Metropolitan Opera 20.00 Julius Rudel conducts Die Zauberflöte, with a cast including Dawn Upshaw, Ruth Welling, Jerry Hadley and Mikael Melbye, also Fri. Tomorrow: La fanciulla del West (362 6000)

New York State Theater 20.00 Mark Gibson conducts Frank Corsaro's production of Madama Butterfly, with Cynthia Lawrence in the title role. Tomorrow: Die Soldaten. Thurs and Sun matinee: La bohème. Fri: The Mother of Three Sons. Sat: La traviata (870 5570)

PARIS

Châtelet 19.00 Denis Cohen conducts the Ensemble Orchestral de Paris in Schoenberg's Second Chamber Symphony, Hindemith's Viola Concerto and Cohen's Etude pour le poème. Tomorrow: song recital by Gary Lakes. Fri: William Christie conducts Les Arts Florissants (4028 2840)

Opéra Comique 19.30 Moscow Chamber Opera in Shostakovich's The Nose, staged by Boris Pokrovsky, repeated tomorrow. Thurs to Sun: Mozart double-bill (4286 8883)

PRAGUE

This week's programme at the Smetana Hall includes a concert tonight at 19.30 with the Czech Radio Symphony Orchestra conducted by Sheldon Morgenstern. The programme consists of Mozart's Symphony No 35 and Mahler's Fifth. Tomorrow Goran Nilsson conducts the Prague Symphony Orchestra in Sibelius' First Symphony and Ravel's Piano Concerto in G, with Ramo Ramoll. Justus Frantz gives a Mozart piano recital on Sat (Prasne brany 2, 232 5858). The National Theatre repertory includes Lucie di Lammermoor tonight and Don Carlos on Thurs. The Smetana Theatre has Tosca on Fri and La traviata on Sat. Pre-booking at city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Malantrich, Wenceslas Square 38, 228714) and theatre box offices.

VIENNA

Staatsoper 19.30 Pinchas Steinberg conducts Tosca, with Mara Zampieri in the title role, Giuseppe Giacomini as Cavaradossi and Eduard Tumagian as Scarpia. Tomorrow: La traviata (51444 2960)

Musikverein 19.30 Yuri Bashmet directs the Moscow Soloists in music by Mozart, Schnittke and Beethoven/Mahler. Tomorrow, Thurs and Fri: Rudolf Buchbinder plays Mozart with the Vienna Symphony Orchestra (505 8190)

Konzerthaus 19.30 Frans Bruggen conducts the Orchestra of the Age of Enlightenment in symphonies by Beethoven and Haydn, also Haydn's D major Cello Concerto with Anner Bylsma. Tomorrow: Wynton Marsalis and Band (7124 6860)

ZURICH

Opernhaus 19.30 Heinz Holliger conducts the Ponnelle production of Die Zauberflöte, with a cast including Matti Salminen, Josef Protschka and Anton Scharinger. Fri and Sun: Ruggero Raimondi sings Don Giovanni. Sat: Der Rosenkavalier, with Gwyneth Jones as the Marschallin (251 0909)

Tonhalle 19.30 Yehudi Menuhin conducts the Tonhalle Orchestra in Malcolm Arnold's Tam O'Shanter overture, Mendelssohn's Scottish Symphony and Mozart's Haffner Serenade, with Anton Fietz violin soloist. Repeated tomorrow, Thurs and Fri (201 1580)

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1330-1400 Business Day
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2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly – the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

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0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday October 22 1991

Some Angst in Germany

WHEN the collapse of communism propelled together the two unequal halves of Germany last year, it was clear that unification would bring opportunity and challenge in equal measure. The scale of the adventure has exceeded both the expectations and the initial problem-solving capacities of Chancellor Helmut Kohl's government. Germany still needs to find a consensus for shouldering the political and economic costs of unity if the process is to be brought to a successful conclusion.

Economic and social conditions in the new Germany are a great deal more polarised than in the old Federal Republic. One illustration of the strain comes from the spate of attacks during the last few weeks on temporary homes of asylum-seekers. Germany's neighbours and allies may have to accept that the domestic political environment is becoming much less settled and predictable than the one to which they had become accustomed for 40 post-war years.

The greatest force for inequality has, of course, been the legacy of communism in the east. Yesterday's report from west Germany's five leading economic research institutes shows that the post-unity picture of expansion in the west of the country and slump in the east is giving way to a more balanced state of affairs. Gross national product is due to rebound sharply in east Germany next year after a 30 per cent fall in 1990-91.

But the Bonn government should guard against premature reactions of triumph. By the second half of the 1990s, the area east of the Elbe should be one of Europe's fastest-growing regions. Nonetheless, it will probably take another two years at least for east Germany simply to make up the very sharp fall in output lost as an unavoidable result of the shock of last year's introduction of the D-Mark into the region.

Budget swollen

The flows of public sector funds into the east to allay the social costs of this economic dislocation have greatly swollen the German budget. Even for a rich country like the Federal Republic, a fiscal deterioration on the scale of the past three years cannot be borne for very long before starting to cause severe problems.

In Germany's case, given the D-Mark's pivotal role in Europe, the fall-out inevitably spreads abroad. The whole of Europe has profited from the unification-induced surge of the past two years in the west of the country, now slowing down under the impact of this summer's increases in taxes and the Bundesbank's anti-inflationary monetary tightening. At this stage in the country's economic cycle, it is of vital importance that Germany takes the right measures to prevent the slowdown turning into recession.

Renewed warning

In these circumstances, yesterday's renewed warning from the Bundesbank about the consequences of further large public sector budget deficits and wage inflation pressures was intended to make policymakers take notice. The analysis is all the more discomfiting for having been almost continuously repeated – without much impact – over the past year.

Most west Germans are unwilling to shoulder fresh financial burdens arising from east Germans' desire to accede quickly to western living standards: this reluctance has probably increased during the past year. However, as the Bundesbank indicates, the alternative to moderation in budgetary spending and wage negotiations is higher interest rates or higher taxes – or both. The five economic research institutes yesterday pointed to very similar conclusions.

Unless Germany's inflation rate, currently 3.9 per cent, shows clear signs of diminishing in the next few months, there will be a sizeable risk of fresh Bundesbank monetary tightening. A further increase in Germany's 7.5 per cent discount rate would take it to the highest since 1931. That would put a severe dampener on growth around Europe. The new Germany faces a combination of responsibilities for which it was ill-prepared: it needs to live up to them, in the interest of the whole of Europe. Otherwise, the costs may extend well beyond broken heads in asylum hostels.

Industry puts its case

ANYONE WHO has not followed the debate about British industry may find yesterday's report from the CBI on manufacturing hard to fathom.

Here we have the Confederation of British *Industry* sweating at the word processor, to argue that manufacturing industry matters, as if the topic were some strange branch of algebra. We are told that manufacturers employ a lot of people (10m, directly and indirectly) and are crucial to the trade balance.

Context, however, is all, because during Mrs Thatcher's reign it was held by some in high places that manufacturing did not matter; what counted were internationally tradeable goods and services – the balance between goods and services being of no fundamental importance. As economic theory this may be unassailable; in practice it was a battle ground upon which the proponents of industrial interventionism and laisser-faire clubbed each other senseless.

Some industrialists feared this anti-manufacturing virus had spread to the CBI. A debate at last autumn's conference led to a report which proposes the creation of a national manufacturing council within the CBI, which is a bit like setting up a society for the appreciation of the Virgin Mary inside the Vatican.

On the whole, however, the report's points are made to good educative effect, mixing case studies with argument. This educational role should not be underestimated, given the previously unpublished 1990 Gallup survey showing that youngsters en route for higher education rated industry a less attractive career option than either teaching or the civil service. Only shopkeeping came lower. The CBI is right to conclude that it has a responsibility to do something about industry's image.

Overall performance

When it comes to a policy framework, the starting point is that industry has done well in the 1980s in terms of industrial relations, exports and overall performance, but that with productivity levels 30 per cent below those of west Germany, 35 per cent behind Japan and 45 per cent short of the US, it must do better. Britain's non-UK manufacturers are also acknowledged to be surpassing their UK competitors in terms of investment and productivity.

Although the report agrees that low inflation and steady growth in domestic demand are the most important gifts government can lay before industry, it says a continuation of "relatively benign neglect... is unlikely to create a world-beating manufacturing base."

Picking winners

The CBI does not want, it insists, a government trying to pick industrial winners. But it would like the following: lower business taxes; better infrastructure; more effort put into training; a clearer and more co-operative approach to purchasing by government agencies, whether this be the army or the NHS; a variety of specific measures to support the growth, as opposed to the creation of, small businesses; and a "refocused" Department of Trade and Industry. The government, it hardly needs saying, has not done well under all these headings.

The CBI's arguments about the government machine, however, lack shape. It complains, for example, that the Treasury is ignorant about industry, than proposes to transfer responsibility for the National Economic Development Office from the Treasury to the DTI. It suggests much of the DTI's regulatory business can be happily despatched to Brussels, but complains that Brussels fails to enforce existing policies evenly. It is not clear *what* is being said about the Monopolies and Mergers Commission. At the regional and local level, there is commendable enthusiasm for building upon the co-operative, agency structure of the Training and Enterprise Councils, and a well flighted barb at the administrative confusion which surrounds such projects. There is not, however, a clear proposal on the table.

That the DTI should "encourage government action that will promote the long-run international competitiveness of British business" is unarguable. But the CBI should be capable of more precision than this.

The telecommunications industry is restructuring to meet global competition. **Hugo Dixon** on the emerging partnerships

Busy lines all around the world

THE world telecommunications industry is in a frenzy of match-making. The leading companies are trying to form relationships which could define the shape of the industry for the rest of the decade.

Many of their negotiations came to a head in Geneva earlier this month, when the industry gathered for a giant trade fair, held once every four years. When the trade fair ended, it was still uncertain who was engaged to whom. Finalising the new relationships may take months.

BT, previously British Telecom, made the first move by inviting Germany's Deutsche Telekom (DT) and Japan's Nippon Telegraph and Telephone (NTT) to join a global alliance, called Syncordia. But no sooner had BT announced the venture than other groups – France Telecom and MCI and AT&T, both of the US – tried to stop the match going ahead. BT's alliance has since been nicknamed Discordia.

This enthusiasm for marriages spanning the globe marks a turning point for the $300bn telecommunications services industry as it makes the transition from a monopolistic to a more open, competitive structure. For decades, most telecommunications carriers have been state-owned monopolies, while international communications have been run co-operatively by the carriers as an extremely profitable cartel.

In recent years, though, liberalisation has given the telecommunications companies the freedom to expand in foreign markets and, in an increasing number of cases, privatisation has given them the incentive they needed. The industry is now rushing to catch up with other sectors of the world economy which are already operating on a global basis such as car making and chemicals.

The main aim is to form strategic alliances in order to cater for the global communications needs of multinational corporations. The idea is to replace the current patchwork of national networks with seamless global networks.

The main aim is to form strategic alliances to cater for the global communications needs of multinationals – replacing the patchwork of national networks with seamless global networks

At present, multinationals wanting to link their far-flung operations with advanced communications have to install their own private networks which is costly and means they have manage the networks themselves. The new partnerships would be able to provide services such as video conferencing and short-code dialling without the multinationals having to expend so much time and money.

What is likely to emerge from the current negotiations is a series of competing alliances, structured as joint ventures. Full-blown mergers are not yet on the table because of the *political sensitivity that would surround one leading national carrier buying another.*

The ferment is similar to that in the telecommunications equipment industry five years ago when national champions were joining forces to create about half a dozen global organisations competing with one another. The restructuring also has parallels with the airline industry where national flag carriers such as British Airways are trying to form alliances to turn themselves into global competitors.

It is not only the structure but the character of the industry that is changing. The sector, previously populated by staid utilities, is coming alive.

The main actors are:

● Mr Iain Vallance, BT's chairman. His stated ambition is to turn BT into the world's leading telecommunications group. Though not the biggest carrier, it is the most profitable, earning more than £3bn before tax in the year to the end of of March. It is also the only leading European carrier to be privatised and is correspondingly the most aggressive about pursuing foreign opportunities.

Mr Vallance has identified the market for serving the global needs of multinationals as worth $40bn-$50bn a year. In order to attack this, he has set up Syncordia, which is building a network to provide services in 50 countries by the end of next year. The company is based in Atlanta, Georgia, because the largest concentration of multinationals is in the US.

Mr Vallance has invited Deutsche Telekom and NTT to take minority shares of 26 per cent each in Syncordia.

● Mr Helmut Ricke, DT's chief executive. His main attention is on modernising the telecommunications infrastructure of what used to be East Germany. But he has had many international suitors because DT is the largest carrier in terms of revenue in Europe and is strategically located at the gateway to eastern Europe. "We are in close discussions with our British partners; but we also are in discussions with others," he says.

Mr Ricke is understood to be *annoyed that he has only been offered* junior status in BT's Syncordia. But, with other carriers knocking on his door, he would seem to be in a strong enough negotiating position to demand a larger stake.

● Mr Marcel Roulet, France Telecom's chairman. When he tried to join Syncordia earlier this year, he was rebuffed by BT, which seems to want to keep as much of the venture in its own hands as possible. "We wanted to get in but not on any conditions. BT said that wasn't possible," he says.

Mr Roulet is also concerned that his existing joint venture with DT to develop advanced telecommunications services could be undermined if the German company is successfully wooed by BT. His strategy seems to be to build on the existing alliance with the Germans and then to bring in one of the leading US carriers as a partner to set up a rival Syncordia.

● Mr Bob Alleo, chairman of AT&T *which, even after its break-up in 1984* remains the most formidable force in the world telecommunications industry. He views BT's establishment of Syncordia in AT&T's backyard as an aggressive move. "BT has made no bones about being in US markets," he says.

Mr Allen's stated goal is for AT&T to generate half its revenue outside the US by the year 2000 when he retires. But he is also ambivalent over how aggressive to be, realising that, so long as foreign markets are not fully open, AT&T will need to co-operate with other local telephone companies. "We are all neophytes in the international market and we are all seeing that partnerships will be needed," he says.

● *Mr Bert Roberts, president of MCI,* AT&T's most successful rival in the US. He is trying to stop BT forming a link with Deutsche Telekom and NTT. He wants to cement his own global alliance.

Mr Roberts uses two arguments in discussions with DT's Mr Ricke and others. First, that unlike BT and AT&T, MCI does not represent a threat to its partners because it is much smaller. Second, that Syncordia will fail in the important US market unless it takes on an American partner. He rates BT's chances as "zero, none, negative".

Mr Roberts plans to expand the remit of Infonet, MCI's global data communications joint venture with 11 other carriers, including the French *and the Germans, so that it becomes* something like Syncordia. But he is considering other schemes as well: "I have many irons in the fire," he says.

● Mr Haruo Yamaguchi, NTT's chairman. Although it has the largest stock market capitalisation of any carrier, NTT remains something of a sleeping giant in international markets. NTT only runs Japan's domestic network.

There are doubts over whether NTT would be allowed by the Japanese authorities to join one of the alliances because of the traditional separation of domestic and international telecommunications in the country. But, says Mr Yamaguchi: "We are presently studying and considering Syncordia... Our interpretation is not that we *cannot* make an investment but that we need to have discussions with our authorities."

● Lord Young, chairman of Cable and Wireless. The company has positions in the main markets: it owns Mercury, the UK's second carrier; controls most of Hong Kong Telecom; has a minority stake in IDC, Japan's second-largest international operator; has shares – along with a series of partners – in a network of fibre-optic cables spanning the world's oceans, dubbed the "Global Digital Highway"; and is the fifth-largest US long-distance carrier.

C and W is about to launch Planet, its answer to Syncordia. But, for all the geographical breadth of the company's operations, Lord Young seems aware that they are thinly spread and is anxious to avoid a head-on clash with the likes of AT&T and BT.

● Others. Some of the smaller carriers are concerned that, as the giants form alliances, they could become marginalised. As Mr Viesturs Vucins, managing director of Swedish Telecom International, puts it: "If you share a stable with a horse and you are a chicken, you had better watch out."

To avoid getting squashed, Swedish Telecom last week pooled most of its international business in a joint venture, called Unicom, with PTT Netherlands, the Dutch state-owned carrier. *The two are now seeking to expand* the venture to include other Nordic and Benelux carriers with the aim of making themselves attractive enough collectively to sign up partners in north America and the Far East to provide business communications services.

IBM, the world's largest computer group with extensive interests in data communications, is also a possible player. Ms Ellen Hancock, the company's general manager for networking, says she has no intention of being in the "common carrier" business but that she is interested in forming alliances with telephone companies under which they would work together to provide companies with global communications services.

Despite all the negotiations among the carriers, answers to three central questions remain uncertain.

First, what will be the scope of the alliances? Syncordia aims to take over *the running of multinationals'* internal networks, supplying them with voice, data and video communications. It claims that it will be providing a network which is more integrated, seamless and flexible than anything currently on offer.

But it is still unclear how much Syncordia's services will differ from existing "one-stop shopping" arrangements among the carriers to cater for multinationals' needs. It is also unclear which company would end up controlling the customer if DT and NTT were finally persuaded to join. Would a German customer such as Daimler-Benz be BT's, DT's or the venture's customer?

Second, how aggressive will the carriers be? They are clearly wary of damaging the traditional co-operative arrangements which have given them such a high level of profits put collectively at $20bn a year from international calls. As the chairman of one of *the carriers puts it: "What BT has* demonstrated is the ability to alienate the rest of the club without any practical benefits."

But the carriers also know that the international cartel is crumbling and those who move first stand the best chance of creating the relationships that will ensure success in the longer term.

Third, will the user gain? If a series of competing global alliances emerges from the negotiations, users should benefit from better, more integrated services and from lower prices. But if the alliances result in restricting competition the cartel will simply have succeeded in restructuring itself in a different guise.

OBSERVER

Troublesome piece

■ It is quite appropriate that Meyerbeer's opera *Les Huguenots*, which opened the present Royal Opera House, Covent Garden in 1858, should this week have closed it, however temporarily. Thursday's new production, the first for over sixty years, has been cancelled and the house orchestra, pursuing a pay claim, has been locked out by a management pleading poverty.

A century ago *Les Huguenots* was just about the most popular opera in the repertoire. Things began to go wrong in the 1930s. It was scheduled to be performed in Berlin on the night that Hitler came to power but that production too was cancelled: Meyerbeer was Jewish.

This version, by John Dew, *has suffered a succession of* setbacks. He attempted to make the tale of religious persecution, relevant by transposing the setting to contemporary Germany, with two sides divided by The Wall

German reconciliation made a nonsense of that so Dew shifted it to an equally intractable arena for the London production–Belfast, with its endless *religious strife*. But *strife* was not confined to the setting. Early in rehearsals the French soprano Francoise Pollet walked out, complaining that she knew a jolly sight more about the opera than the cond uctor, David Atherton. Now the orchestra has struck.

It bases its claim for more cash around the fact that Meyerbeer's original opera lasted five hours and had four intervals. Even though Dew halved the duration the orchestra wanted its breaks-expanding it well into overtime land.

Granada bound

■ Gerry Robinson, 43 tomorrow, is even younger than Derek Lewis, the man he is replacing as Granada's chief executive. The latter, probably unfairly, has carried the can for many of the TV and leisure conglomerates problems, while Robinson has a reputation which will be hard to live up to.

Robinson's big advantage is that he is a wealthy and successful businessman with no particular loyalties. And now that Granada has held on to its TV franchise and had its rights issue, it is a position to be knocked into shape by an outsider.

The downside is that Granada is a much bigger and more complicated business than Compass and Robinson's own record – namely the abortive bid for Sketchley – is not without its critics.

But the key issue, which *will determine Robinson's fate,* will be his relationship with Alex Bernstein, the long standing chairman. Granada sometimes seems as if it is still run like a family business and it will be up to Robinson to prove that this is not the case, even if it means parting company with the beloved Granada TV operation.

Breath-taking

■ One reason the British aren't enthused by Franco-German proposals for a European "Common Foreign and Security Policy" is that the phrase is such a mouthful and the initials so unmemorable. It sounds much better in Germany, where Gemeinsame Aussen-und SicherheitsPolitik comes out as GASP.

Back to work

■ George Russell, the chairman of the Independent Television Commission, is not the only person who will be glad that the brouhaha over the awards of the new ITV franchises is over. Shareholders in Marley, the building products group he chairs, must also be hoping that now they will be able to count on his full-time attention.

"I find your behaviour *offensive, humiliating* and a day late."

A former visiting professor at Newcastle University, *Russell has* sat on *boards* inquiring into everything from civil service pay to local authority business, in addition to holding down a series of tough jobs in the private sector. His skilful handling of the TV franchise lottery has proved beyond doubt that the 55-year-old geordie is a safe pair of hands.

But Marley is a company that needs full-time attention and recently Russell has given the appearance of being a part-time boss. The group's profits have fallen from a peak of £70m to £14m last year and will be hardpushed to top £30m next year.

Admittedly, Marley has been hit by the severe recession in the UK, but Russell's time at the top of Marley has hardly been the most impressive episode on his cv. Marley is the fourth in a series of turnaround operations, he has tackled and his magic is taking longer than expected to work.

It has not gone unnoticed that he gets £281,000 a year from Marley, and has lots of share options but no direct shareholding, whereas the ITC job only pays £37,399 a year.

Spy ring

■ Markus Wolf, ex-head of East Germany's vaunted HVA spy network, has received support from an unexpected quarter. Heribert Hellenbroich, former head of the BND, West Germany's intelligence agency, claims the German justice authorities were "entirely wrong" in seeking to put Wolf on trial.

After German unification it was impossible to distinguish between good spies in the West and evil spooks in the East, he said during a weekend TV talk show with Wolf. The latter, out on bail after recently turning himself in to the German authorities, looked suitably appreciative.

For a man whose only photo in the West until 1978 consisted of a fuzzy snapshot taken of him while contacting an agent in Stockholm, Wolf *is now instantly* recognisable from his frequent appearances in the media.

As deputy head of the hated Ministry of State Security (Stasi) under Erich Mielke (currently on bail), the 68-year-old ex-spy is far from convincing when he claims that he had not known about the Stasi's massive human rights violations. However, a few more testimonials like Hellenbroich's and all this could change.

Blackout

■ How many social workers does it take to change a light bulb?

None. 12 of them form a working party to write a policy paper "Coping with Darkness".

Engine trouble stalls Rolls-Royce

Paul Betts on the UK company's struggle to win orders in a depressed civil aviation market

A spectacular string of setbacks has sounded the alarm bells at Rolls-Royce.

Fears about the company's future have grown in recent weeks following the controversial decision of British Airways to abandon its traditional UK aircraft engine supplier on its new Boeing 777 airliners in favour of General Electric of the US. The BA decision came as a body blow for Rolls-Royce. The company has been struggling this year to win new commercial engine orders in a depressed civil aviation market made all the more difficult by the post-cold war slump in defence orders. It had been banking on BA to give it a much-needed lift at a time when it must win orders worth £5m a day just to tick over, in the words of Sir Ralph Robins, its chief executive.

The company is being forced to reduce its total aerospace workforce of 34,000 by some 6,000 this year. It has already warned there are likely to be more job cuts next year as it strives to lower costs to match its two US competitors, both of which are engaged in sweeping cost-cutting programmes.

Rolls-Royce's pre-tax profits have nose-dived by 90 per cent to a meagre £11m in the first half of this year from £115m for the same period a year ago.

The BA decision to choose General Electric engines also appears to have had a knock-on effect on other orders. This month, All Nippon Airways, the Japanese carrier, cited BA's rejection of Rolls-Royce as one of the reasons for selecting US Pratt & Whitney rather than UK engines for its new Boeing 777 fleet.

Last week, Rolls-Royce suffered another unexpected reverse when Air India decided to switch a £87m Boeing 747 engine order placed with the UK company a year ago to Pratt & Whitney.

"We must keep our nerves," says Sir Ralph. "The BA decision was a big disappointment but not a killer." He concedes that the company's short-term position is difficult but, with his characteristic self-confidence, he also believes the longer term outlook remains good.

"You can't read the whole market on two or three early 777 decisions," Sir Ralph insists. In spite of its recent setbacks, he argues that the company is now in a far stronger financial position than either at the time of its bankruptcy in 1971 or during the last cyclical downturn in the commercial airline industry 10 years ago.

"Remember we had virtually no market share in the early 1980s. Why should it be more difficult now to maintain what we have gained with our new family of engine products?" he asks. During the past 10 years, Rolls-Royce has increased its market share from about 10 per cent to 20 per cent in the commercial engine market by developing a broad product range; it has expanded into the power generation sector with its acquisition of the NEI Engineering group; it currently has a firm order book worth £7.4bn.

The recent boardroom turmoil at British Aerospace has also inevitably turned the spotlight on Rolls-Royce. But in sharp contrast to BAe, the aero-engine maker is not engulfed in a top management crisis; it has not embarked on an adventurous diversification programme; nor is it seeking to raise cash through a distress rights issue. "We have no debt. We don't need a rights issue," emphasises Sir Ralph. "Our strategy is to go through this downcycle with a strong balance sheet. What we are trying to do is fairly straight-forward: downsizing our military business and make our civil engine operations more efficient."

The company's challenge is whether it can maintain its momentum in the current recessionary environment. Rolls-Royce remains more vulnerable to a market downturn than its two US competitors. It is neither part of a larger diversified group nor does it have the same broad customer base as General Electric and Pratt & Whitney. It has built up a strong presence in the smaller to medium size commercial engine market, but like its two American rivals it has also targeted the development of very large engines through its £400m Trent programme as the spearhead of its future growth.

Big engines have become the chosen battle ground of the three leading aero-engine makers because large capacity aircraft are expected to account for a dominant share of the world airline market during the next 10 years.

Although there are only three players competing for the £100bn market to supply engines for these new jumbos, the stakes are high for the engine manufacturers because of the huge costs and lead times of new engine programmes. As no one holds a decisive technological edge in this three-cornered contest, the battle is now hinging on muscle power in the market place and depth of pocket.

On the face of it, Rolls-Royce appears to be suffering from a financial disadvantage. To bang in at the top end of the engine market, it is having to continue to spend heavily on research and development at a time when the burden of self-funded R & D has increased as a result of the decline in government-supported military business.

Spending on the high thrust Trent engine programme is at a peak. Sir Ralph warns the company will have to take a decision soon on developing a bigger version of its RB211-535 engine to equip new, larger derivatives of the Airbus A340 long distance airliner.

During the past five years, the company has spent more than £850m of its own money to develop a comprehensive range of aero-engines. If it wants to continue expanding its market share, it will have to persevere with this rate of spending.

The loss of the BA contract has also highlighted the ferocity of the battle for market share. "It all came down to money," says Sir Ralph. "We bid what we felt was the limit of prudence for our shareholders."

Sir Ralph acknowledges that he expected to win the BA order but he does not want to turn it into a *cause célèbre*. BA, he seys, remains a big customer for Rolls-Royce and the two companies will continue to work closely together. Sir Colin Marshall, BA's chief executive, also said that at the end of the day, the deal came down to "economics".

Although Rolls-Royce appears to have lost the first round in the campaigns to place engines on the new Boeing 777 aircraft, it has been more successful with the Airbus A330, winning 47 per cent of the orders so far for Boeing's European rival in the twin engine widebody airliner market. Rolls-Royce has also placed its Trent on the 777s ordered by Thai International Airways, a traditional General Electric customer.

Rolls-Royce continues to see itself as a wholly independent company. But to expand its market base and spread the financial risks associated with commercial engine programmes, it is expected to speed up its search for partners and risk-sharing associates in specific projects.

The UK group has recently formed a partnership with BMW, the German car manufacturer seeking to return to its aircraft engine manufacturing origins. But so far the scale of its co-operative ties with other manufacturers falls short of the strategic alliances General Electric and Pratt & Whitney hava forged respectively with Snecma of France and MTU of Germany.

In the long run, Rolls-Royce may have to reconsider its "go it alone" approach at the expense of its corporate pride. Many in the industry believe the market for the new heavy thrust engines is not large enough for three players on account of the development expenditures required to stay ahead of the game.

Ironically, Rolls-Royce broke off five years ago a strategic partnership in the big engine market with General Electric. "The deal did not make enough sense to the company and its customers who wanted to buy Rolls-Royce products at the top end of the market," says Sir Ralph.

With the campaign to supply high thrust engines for the new generation of wide body aircraft only just beginning, it will take at least four or five years before the winners and losers of this multi-billion dollar battle will emerge.

Will there still be room for three leading engine makers? Many believe it would be a logical step for Rolls-Royce to team up eventually with Pratt & Whitney in the big engine market to compete against the GE-Snecma combination. The answer, however, will ultimately lie with the airlines.

Glyn Genin

Chief executive Sir Ralph Robins with Rolls-Royce-powered 747s: 'We must keep our nerves'

Joe Rogaly

No regrets — yet

Ideas will be the death of us all. We know that world history is punctuated by religious conflicts. We have just seen that Marxism destroyed entire nations. Now we are threatened by the inherent contradiction between two powerful late 20th century ideas. The first, "let markets rule", currently overshadows the second, which is "growth equals destruction".

These apocalyptic ruminations were set off at a weekend conference on energy and the environment convened by the Ditchley Foundation at Ditchley Park, Oxfordshire. The 43 participants were not greenies. On the contrary they represented big international organisations, or megalithic electrical, nuclear and fossil fuel power brokers, or gigantic oil-mongers, or the relevant institutions and government departments of some of the most powerful industrialised countries.

Worse still, most of them were economists. In consequence the full furnace blast of a dangerous idea was stoked up with coals of impeccable logic. Nobody questioned the necessity for permanent economic growth. To a man (there was one woman) they spoke out for "letting the market do its work", whether the matter under discussion be the emission of CO_2, or the need to keep coal buried and oil in the ground, or the number of energy-profligate refrigerators in Brazil. The way to ensure that the atmosphere is not obliterated by economic take-off in China and India is to leave it to the free play of the market. The cleanest future for eastern Europe is a future with the least government intervention.

On this last point the economists are clearly right. There can also be no quarrel with the proposition that markets work better than governments. What is open to challenge is the depth of territory claimed for markets, and the thin sliver left for regulation, taxation and the like. This is a consequence of the fundamental premiss upon which the deliberations of important people such as these takes place. Let me restate that premiss. It is that the forecasts of global warming arising from the constant and increasing emission of greenhouse gases into the atmosphere are probably mistaken – and, more terrifying still, that even if the forecasts are right global warming is something to which humanity can adapt.

This self-destructive perception is hugely important. The world's tribe of nomadic conference-goers is small. Its influence is grossly disproportionate to its size. Within that tribe the clan of energy economists is exceptionally powerful. If its witch-doctors do not believe what the environmentalists (themselves a numerous clan) are saying, or what the majority of the world's serious climatologists assert, then our only hope is that the theory of global warming is indeed mistaken.

The best working assumption must be that it is not. What then? The hawkers of energy have a vested interest: to sell more energy. They are aware that the environmental movement has to some degree or another permeated the consciousness of many influential people in the rich countries, but they are struggling, sometimes even against themselves, to resist the conclusions for policy that this implies.

Nobody questioned the necessity for permanent economic growth

Enter a convenient cop-out: the "no regrets" package. Everyone can buy that. You go for energy efficiency, either by letting the market do its work or, at a push, by allowing governments and international organisations to set standards. The result will be the most cost-effective use of fossil fuels. The growth in energy sales might eventually slow down but, overall, there would be no regrets. The policy pays off even if the warnings about atmospheric damage turn out to be false. "No regrets" is not without its problems, but it does not interfere with the market or growth and it seems to cost nothing.

If you still harbour a sneaking feeling that more needs to be done you could go in for an insurance policy – say the subsidisation of a global programme of research and development into clean energy and low or zero emission motor vehicles. The work would not be undertaken or directed by governments, but by private agencies. This could be regarded, say the economists, as a lottery. The ticket is relatively cheap; the potential pay-off very large.

Such low-cost insurance plus a "no regrets" package may not be enough to bring about the net reduction in emissions that the majority of global scientists regard as necessary. Yesterday the UN'a environmental agency, working with a couple of dozen assorted allies, called for the industrialised countries to reduce their per capita energy consumption by 1 per cent per annum until the year 2000, and 2 per cent thereafter. Fat chance.

Low energy users, such as China, would be permitted to increase per capita consumption until a certain pre-set level, but not to exceed it. This "Caring for the Earth" report represents a powerful idea, but its strength does not appear to match that of the drive to get richer. The preoccupation of the Third World is with rapid growth and industrialisation. Even a concerted campaign by all global organisations – from the World Bank to the European Community – is unlikely to ensure that this is "clean" growth unless some cash is involved.

Cash transfers were not a popular topic at the weekend. There were, however, a number of suggestions for tying debt rescheduling, or Gatt concessions, to the freeing of markets. As to a tax on CO_2, there was much debate about the European Community's proposed impost of a lightweight \$3 per barrel in 1993, to be increased by a dollar a year until it reached \$10 at the turn of the century. The consensus seemed to be that it was neither desirable, nor likely to work.

It looks as if the iceberg will have to be visible before the brilliant engineers who designed the Titanic offer their regrets.

LETTERS

British Coal's efforts to cut costs and preserve markets hit by speculation

From Mr Kevan Hunt.

Sir, Recent media speculation that the government's advisers, N M Rothschild, were advocating a reduction to a pitifully small number of pits in order to make British Coal saleable to the private sector has rightly been scotched in your feature "Coal row reignites" (October 16).

As Juliet Sychrava points out, the number of pits is still a matter of conjecture and depends on the price, tonnage and duration of the next coal contracts which have yet to be negotiated.

However, the potential damage this speculation causes to our business is considerable – both in terms of morale and in making it harder to sustain our people's efforts to continue the fight to reduce unit costs and preserve our markets.

You highlight the view of the managing director of a private coal company that British Coal is an institution – and that in private hands the costs at some pits could be cut by 20 per cent. This, from a quarter which may have a direct interest in a sale of British Coal, is frankly insulting. In five years, our managers and our workforce have more than doubled productivity levels. More to the point, we have every intention of continuing that improvement of performance.

Similarly, over five years we have cut real prices to the generators by 40 per cent – and current reductions in capacity are at the expense of what are unarguably far and away the most cost-efficient deep mines in Europe. The German mining industry – no slouch when it comes to efficiency, quality and performance – has production costs 70 per cent higher than British Coal's.

We are proud of our achievements as a nationalised industry and we are not afraid of the prospect or challenge of privatisation. Given the opportunity, I have no doubt that the people in this industry will put their money where their mouth is. They will welcome the opportunity to have a stake in the business.

Kevan Hunt,
employee relations director,
British Coal,
Hobart House,
Grosvenor Place,
London SW1X 7AE

Power of veto endangers EC arms export control

From Mr Paul Eavis.

Sir, David Buchan rightly highlights ("A long march towards Euroarmy", October 18) two examples where attempts by European Community member-states to co-ordinate their foreign policies have been restrained by the desire to reach consensus among the Twelve. A third example, and one which will have grave security consequences, is in the field of arms export control policy.

As trade barriers are removed after 1992, military and "dual-use" technologies will, for the first time, be able to move relatively freely within the Community. This will present arms manufacturers with the opportunity to divert arms exports through the country with weakest export controls.

Bearing in mind that five of the eight leading arms exporting countries are EC members, and that these same countries are among the big exporters of nuclear, chemical and high-technologies, there is an urgent need for the EC to develop a common policy on arms export control.

However, as long as each member-state retains the right of veto on such issues, Community arms export control policy will be effectively determined by the country with weakest legislation. Acceptance of qualified majority voting on such issues is, therefore, highly desirable.

As Mr Buchan points out, the British government is at odds with its European partners in its opposition to extend majority voting to agreed areas of security policy. It is ironic that a government publicly committed to strengthening control over arms exports at the United Nations is blocking the development of tighter controls ot the EC.

Paul Eavis,
research director,
Saferworld Foundation,
82 Colston Street,
Bristol BS1 5BB.

Waterfront reform in Australia yet to pass the test

From Mr Nicholas Finney.

Sir, In August, I visited Australia on a study tour to examine its Waterfront Reform programme and met the principal players from all sides of industry, unions and government. Kevin Brown's article, "Australian dock reforms put back on track" (October 10), is misleading in suggesting that the Australian Waterfront Reform Programme is on the verge of success.

Whatever the manpower reductions, the basic control of the Waterfront Workers' Federation (equivalent to the UK's TGWU) over all operations remains intact. Consequently, restrictive practices remain and so do "jobs for life". Also, the cost to the taxpayer of encouraging 3,000 "wharfies" to leave is substantial – £150m, about 30 per cent more per man than the equivalent cost of reform in the UK.

Australia's international performance comparisons are themselves inaccurate. Tilbury's crane handling figure is understated by about 60 per cent. No one in Australia, even the stevedoring companies, seriously expects them consistently to achieve the figures which Mr Brown quoted – which are themselves below the international average.

The real test of Waterfront Reform is whether prices to the shipper, and ultimately the consumer, fall through a combination of increased competition, removal of restrictive practices and improved efficiency. Ask any shipper in Australia for his opinion of these success criteria and he will give you the "thumbs down" to the Waterfront Reform process in Australia.

Nicholas Finney,
The Waterfront Partnership,
36 Grosvenor Gardens,
London SW1W 0EB

An irrational investment fashion

From Mr William Wollace.

Sir, Robert Peston's comment on the flotation of 3i ("Risky business may start to play safe", October 14), that its "investment horizons may be shortened when its bank shareholders sell" to life insurance companies and pension funds, touches on one of the most irrational aspects of financial market behaviour in Britain. Why – apart from convention and fashion – should life insurance companies and pension funds take such a short-term view of the companies in which they invest?

Like most of your readers, much of my personal savings is locked up in long-term insurance policies and pension provision. I am interested in the yield of these savings over a 25- to 50-year period, not in the month-by-month performance of their shares, or the short-term profit to be made from takeover bid premiums.

I was shocked to hear the chairman of one of the insurance companies in which I have a policy stating some months ago that he saw no reason for his company to have any long-term commitment to the firms in which it held stakes. Rather, it bought and sold in the market as opportunity offered. This indicates that long-term funds are being used to follow short-term trends, rather than the company playing a part in promoting the long-term growth of the firms in which the insurance community and the pension funds are now such substantial stakeholders.

Mr Peston expresses "anxiety" about the financial institutions' demands for immediate returns rather than long-term growth in their approach to the companies in which they invest. I would add bafflement to anxiety, that these guardians of our savings should prefer to play the markets and demand high dividends than focus on asset growth.

William Wallace,
49 St James's Drive,
Wandsworth Common,
London SW17 7RN

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Tuesday October 22 1991

Writ claims individuals and businesses breached US securities and racketeering laws

Lloyd's faces huge suit by US Names

By Richard Lapper in London

SEVERAL bundred individuals and businesses in the Lloyd's of London insurance market were yesterday cited in a writ filed in New York alleging breaches of US securities and racketeering laws.

The allegations, by 64 of the insurance market's US members or Names – the individuals whose assets support undsrwriting – allege that Lloyd's and its agents broke the law by misrepresenting risks faced by potential investors in the market.

The Names, who face losses of more than $9m since 1988, allege Lloyd's violated the 1933 Securities Act offering an investment – membership of Lloyd's – to Americans without registering with the Securities and Exchange Commission.

It is also alleged that misrepresentation of the risks faced by Names was so systematic that Lloyd's breached the Racketeer-Influenced and Corrupt Organisations (Rico) law.

Under Rico, courts can award damages three times as great as in other cases. Rico can be applied to 1988 losses; a three-year statue of limitations applies under the securities law.

The action is by far the biggest of three actions so far filed in the US by lossmaking Names and is causing some concern at the beleaguered London market, which is already engulfed in a tide of litigation from UK Names. More than 10 per cent of the market's members are involved in law suits, mostly alleging negligence by their agents.

Tbe market's governing Council, 266 of its 350-plus syndicates, 16 members' agents and 43 managing agents are named in the writ which the New York law firm, Proskauer Rose Goetz & Mendelsohn, said it was expecting to file in US District Court in Manhattan.

According to Proakauer Rose, the defendants have "downplayed the practical import" of the Names' unlimited liability – the principle whereby Lloyd's Names are liable for all their insurance losses – and "misrepresented" or "failed to disclose serious risks in plaintiffs' syndicate investments".

Tbe plaintiffs allege that they were denied participation in profitable syndicates, that "secret and excessive compensation" was paid to insiders and that reinsurance coverage for many of their syndicates was inadequate. Lloyd's argues that the UK rather than the US is the correct legal forum for any dispute between Names and their agents.

Mr Don Green, of Le Boeuf, Lamb, Leiby & MacRae, tbe New York law firm representing Lloyd's, said "the suit is going to be vigoronsly defended" and alleged that the plaintiffs aimed to "intimidate Lloyd's politically".

There are worries at Lloyd's abont tbe potential damage that a protracted legal dispute – together with the prospect of a possible investigation by a Senate committee – could inflict on its reputation in the US, which geoerated in 1990 nearly 40 per cent of premium and 10 per cent of its capital.

In 1990 2,055 of the 26,500 Lloyd's Names were Americans, Mr David Robson, managing director of Merrett Syndicates, the Lloyd's agency, said he did not believe that the Names' case had any basis, but admitted the market was concerned. "It could be that a US jndge could kick over the traces somewhere and come up with some amazing jndgment. Ultimately there is a fear of the irrationality of the US legal system."

Yilmaz offers resignation after Motherland party's narrow defeat

Demirel to head Turkish coalition

By John Murray Brown in Ankara

MR MESUT YILMAZ, Turkey's prime minister, yesterday offered his government's formal resignation after the ruling Motherland party's narrow defeat in Sunday's general election after eight years of government.

The announcement paves the way for Mr Suleyman Demirel's True Path Party (DYP) to be asked to form a new government.

With almost all the votes counted, Mr Demirel last night had 184 of the 450 seats in parliament, the Motherland party 112 seats, the Social Democratic Populists 84, the Islamic-backed Welfare party 63 and the Democratic Left party seven seats.

Mr Demirel could form a coalition with any one of three leading parties. The most likely alliance partner would be the Motherland Party, Turkey's other centre-right party.

Diplomats said there would a strong logic to a coalition between the two parties. There is little difference in policy, both are committed to market based economic reform and a continuation of Turkey's close relations witb tbe US and other fellow Nato countries.

Mr Demirel yesterday appeared to rule out an alliance with the Social Democratic Populists, while most analysts believe a link with the Islamic party would be opposed by True Path's moderate secular politicians.

Tha problems over forming a coalition are likely to result in a period of political uncertainty.

"I've seen so many elections, hnt I have never been in so much uncertainty as we have now," said six-times prime minister Mr Demirel. He was twice ousted by Turkey's generals, most recently in 1980 when the army ended years of left-right violence and political paralysis caused hy unstable coalitions.

In addition, Mr Demirel has pledged to oust President Turgut Ozal, the former Motherland party prime minister who in 1989 used the party's parliamentary majority to have himself elected president, a vote boycotted hy both opposition parties in parliament.

Mr Ozal has made it clear that he has no intention of resigning. Mr Ozal, who was elected in 1989, and still has five more years of his term to run, said at the weekend tbat "whatever the outcome is, my situation will not be affected".

Mr Demirel yesterday conceded that the election result made it bard for him to resolve "the Cankaya problem," referring to Mr Ozal's Ankara palace.

Suleyman Demirel, former premier and True Path party leader, prepares for victory

Talks on free trade zone close to success

By David Gardner in Luxembourg

NEGOTIATIONS to create a 19-nstion free trade zone between ths EC and the European Free Trade Association (Efta) were close to success last nigbt, altbongh Greece was insisting on further concessions over transit licences.

The EC Twelve and the seven-nation Efta pared their ontstanding differences to what looked bridgeable gaps on the amount of extra cod Norway would make available from its waters, and the amount of "cohesion" aid and soft loans Efta would provide to help the EC's poorer members catch up.

Despite initial fears that Italy would hold out against a beavy lorry transit deal with Switzsrland, agreement was reached for unlimited passage for EC trucks up to 28 tonnes.

In addition, up to 50 trucks of up to 38 tonnes will be able to transit each way through Swiss passes daily, provided they are under two years old, carrying perishable goods, and rail transport capacity is full.

But tbe more intractable negotiations with Austria were last night in limbo. Austria finally agreed to issue 1.3m transit licences for EC heavy lorries. This would freeze the level of permits for all membsrs except Gresce, which would get a 29 per cent increase to 60,500 licences a year. The Greeks, however, insisted on 63,000 permits.

EC transport ministers voted through the package against Greece's sole objection, under provisions for weighted majority voting. Bnt it remained possible that Greece would veto the European Economic Area (EEA) treaty in the Council of Foreign Ministers, where unanimity is required.

Enormous pressure was being hrougbt to bear on Greece last night, not least because it sent a senior official instead of a minister to the Transport Council, witb little autonomy to negotiate.

Angry officials from both the European Commission and the Dutch presidency of the EC pointed out that if Greece scuppered the EEA treaty it would still gain from increased transit rights since that agreement would go through indepsndently.

After three previous failures to agree on an EEA, the meeting was considered a last opportunity before the EC gets swamped by its own political and economic union agenda, and Efta members led by Austria and Sweden sbandoned attempts at a halfway bouse to EC accession and opted instead to seek full membership.

France last night confirmed what amounts to a U-turn on EC farm reform when Mr Louis Mermaz, the French agriculture minister, said Brussels' proposals to reform the Common Agricultural Policy were "going in the right direction." Mr Ignaz Kiechle, the German farm minister, also volunteered agreement with reservations to the European Commission'a reform plan. Mr Ray MacSharry, EC agriculture commissioner, said both ministers "accepted 100 per cent the philosophy and principles of the Commission'a proposals and the only remaining issues are of detail." However, the extent to which the Franco-German stance would break the Uruguay Round deadlock was unclear as both insisted on adequate border protection against imports as the price of reform.

Jerry Brown enters race for US president

By Lionel Barber in Washington

MR JERRY BROWN, the former governor of California whose eccentricities earned him the nickname "Governor Moonbeam", yesterday entered the race for the Democratic presidential nomination in 1992.

Mr Brown, 53, who ran for president in 1976 and 1980 with diminishing returns, is a long-shot candidate who has refused to accept more than $100 a time in individual campaign contrihutions. But his promised crusade against what he calls "the unholy alliance of private greed and corrupt politics" in Washington could strike a chord among voters.

Mr Brown is the sixth major Democrat to enter the 1992 campaign. Other prospective candidates, notably Governor Mario Cuomo of New York and the Rev Jesse Jackson, are expected to announce by the end of November if they will throw their hats into the ring.

The entry of Mr Cuomo, a political heavyweight, would transform the Democratic race. The New York governor's final intentions remain unclear, but the weak US economy and voter dissatisfaction with President George Bush's record on domastic issne have spurred Mr Cuomo to consider a presidential bid.

Mr Brown, speaking yesterday at Independence Hall in Philadelphia, cast his candidacy in terms of leading a grassroots crusade against routine politics which, he argued, was hastening the country's decline.

"Our deteriorating economy, our collapsing political process, and our eroding sense of common values are the direct consequences of a few allowed to satisfy their appetites for greed and privilege," he declared in an attack on Democrats and Republicans alike in Washington.

Mr Brown's two terms as governor of California between 1974 and 1982 were marked by quixotic appointments and a notoriously short attention span. A flirtation with Zen Buddhism in the mid-1930s did not help his cause.

Two years ago, Mr Brown returned to politics, serving as state Democratic party chairman in California. The office ought to have enabled him to build contacts for next year's California Democratic primary, which – if moved forward in the election calendar – could settle the race for the nomination.

However, Mr Brown is widely believed to have made enemies, after failing to organise on behalf of Mrs Dianne Feinstein, the Democratic candidate who narrowly failed to win the governor's race last year.

Several other Democratic candidates, led hy Governor Bill Clinton of Arkansas and Senator Bob Kerrey of Nebraska, are adopting populist positions similar to those of Mr Brown, whose penchant for original ideas and bsd organisation has invited comparisons with Mr Jackson.

Cresson confines ministers to Paris

By William Dawkins in Paris

MRS EDITH CRESSON, the French prime minister, yesterday told members of her government that they cannot leave Paris withont getting clearance from her office first.

Tbe security order, last taken during the Gulf War, comes in response to the growing number of violent demonstrations against government ministers by farmers, who are angered by declining prices and probable EC agriculture policy reforms.

It is a result of a crisis meeting called over the weekend hy President François Mitterrand with Mrs Cresson and the justice and interior ministers to discuss measures to restore the anthority of the state and public order. The order aims to avoid unnecessary and potentially hnmiliating encounters betweeo ministers and striking farmers.

On Friday evening more than 200 farmers hurst into a reception being sttended in Moissac, sonth-western France, hy Mr Jean Michel-Baylet, the tourism minister, and overturned the tables for the banquet that was to follow.

Earlier this montb, Mr Michel Charasse, the bodget minister, had to be protected by two armoured cars and three mobile police squadrons as he opened s public building in Joze, central France. Other ministers' cars have heen pelted with eggs and vegetables, and several have been obliged to change or cancel visits to the provinces.

From now on, government ministers need to obtsin anthorisation from Mr Ivan Barbot, the prime minister's internal security adviser, for visits outside Paris. The aim appears to be to co-ordinate visits to avoid provocation.

Mr Pierre Bérégovoy, the finance minister, yesterday condemned the latest in a series of attacks hy farmers on public buildings and government offices. "No demand can justify these excesses," he said.

This week, the governmeot fsces a series of public sector psy and conditions strikes, further increasing tbe pressure on Mr Mitterrand and Mrs Cresson, whose popularity cootinoes to decline, according to the latest polls.

Industrial action is planned by nurses, bospital doctors, urban transport workers and dockers, culminating in a general public service stoppage on Thursday, in protest against the government's ecooomic policies.

This comes at a time wben the police face public criticism for using teargas and water cannon to suppress a demonstration hy nurses last week, yet failing over the past month to keep the farmers under control.

Nurses were due to reopen deadlocked talks on pay and staff numbers yesterday evening with Mr Bruno Durieux, the health minister, bnt were still planning a demonstration against the police today. Hospital doctors are due to stage a two-hour stoppage today, while staff of the airlines Air Inter and UTA plan s one-day strike tomorrow in protest against the company reorganisation and joh losses demanded hy their psrent group, Air France.

THE LEX COLUMN

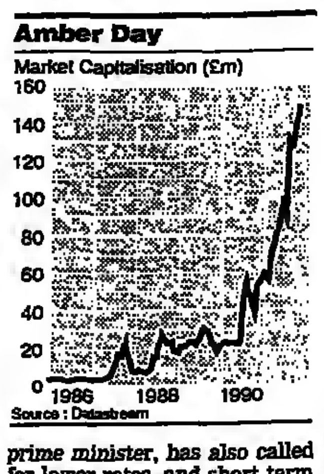
The polls take their toll

Yesterday's downward twitch in the London markets seems furtber confirmation of the power of the opinion polls to dominate investors' thinking. Weekend reports of a 7-point Labour lead over the Tories bad a predictable effect on sterling and the gilt market, thus bringing tbe unnerving reminder that UK interest rates can go np as well as down. The poll also formed a depressing backdrop to yesterday's retail sales figures, which suggested that whatever is going to restore the government's popularity, it is scarcely going to be an upsurge in consumer spending.

For the optimists, there was comfort in the fact that retail sales volume in the third quarter was 0.6 per cent up on the quarter before. But it was also 0.4 per cent down on the recessionary third quarter of last year, which suggests that for practical purposes the economy is going precisely nowhere. There is anecdotal evidence that retailers are now feeling more cheerful than they were a couple of months ago; but they also felt better in the spring, only to be disappointed.

This puts this morning's UK trade figures in a slightly paradoxical light. The worse the deficit and the stronger the rise in imports, the better the implied revival in consumer confidence. Bnt a really bad figure, of course, would npset stsrling again. Just at the moment, it really looks as if the government cannot win.

FT-SE Index: 2,575.7 (−25.4)



Japan

Japan's hig four securities houses must be spitting. In the week since they were suspended the Nikkei has risen by nearly 5 per cent. Yesterday's announcement of record low growth in hroad money in the year to September gave a forther boost to a trend which is now heavily predicated on a reasonably quick cut in the 5.5 per cent official discount rate. Local retail and foreign investors have been piling into the market on precisely such expectations, hut that is a comhlnation whose judgement would not be regarded as a relishle indicator in otber markets.

Admittedly, there are plenty of grounds for expecting a rate cut besides the 2.2 per cent annual growth of M2: exceptionally weak consumer spending and capital expenditure cutbacks by large corporations, to name but two. Mr Kiichi Miyazaws, tbe favonrite to replace Mr Toshiki Kaifu as prime minister, has also called for lower rates, and short term money rates suggest a discount rate cnt could be on the cards.

Yet the Bank of Japan may still need some persuading that asset inflation has been wrung out of tbe system. A rising stock market does not support this case. It also alleviates bank capital ratio problems, which have restrained lending. Cntting tbe discount rate would make it harder to satisfy international demands for a higher Yen. More worrying for equity investors, however, ongbt to be the degree to which the market has pinned all its hopes on this one development. The risk of disappointment will be all the greater if it fails to materialise.

Granada Group

Granada's recsnt achievements make one wonder why the company needs a chief execntive at all. In the last few weeks the prized North West television franchise has been retained, the apparently unsellable Canadian rentals business has been sold, and the ill-fated computer services division is being cut to size. The group's shares have outperformed the market by 5 per cent since the ignominious departure of Mr Derek Lewis in May, and have bounded ahead hy 45 per cent since they touched a low of 132p in early July.

For all the praise heaped yesterday on Mr Lewis's affable and down-to-earth successor Mr Gerry Robinson, the interregnum will be a hard act to follow. Investors will want to see some evidence that the balance of boardroom power has changed, as well as early confirmation that the skills so successfully employed by Mr Robinson at Compass can be translated to the leisure industry. In the longer term, his big challenge is to breathe new life into a somewhat ill-focused group whose rental activity – responsible for half the pre-tax profit – appears to have stopped growing. The truncated laisnre side can obviously cash in on any economic upturn, hut the recovery potential from computers looks limited and the return on the BSkyB investment will be some time coming.

Granada sbould make £70m-£75m pre-tax for the year just ended, with £90m-£100m possible for the 12 months to Septemher 1992. That gives an above average rating, which the uncertainties scarcely seem to justify.

Amber Day

On a day when clothing sales were singled out as the weak feature in a flat set of retail sales figures, Amber Day's two-thirds increase in full-year earnings and one-third rise in dividend were as striking as the 4 per cent rise in its shares. After all, three quarters of the retailer's turnover consists of clothes. Its menswear shops recorded losses, but the What Everyone Wants discount chain, which also sells toys and household goods, forged ahead.

Either Amber Day is just at the start of exploiting a winning formula, like Walmart did in the US, or it will all go horrlhly wrong in the more parochial tradition of Burton, Next and Sock Shop. For the moment, the group deserves the benefit of the doubt. Following the recent £24m rights issue, it is free of debt. By constantly paring its cost base, it can keep margins high even when prices are ridiculonsly low. If management sticks to its promise to grow organically rather than hy acquisition, it could expand from its northern base to become tha UK's only national discount chain. At yesterday's 125p, the historic multiple is 17 times. But perhaps that it not too demanding for a group whose market capitalisation has gone from £46m to £146m in the past twelve months alone.

Anagram

Anthony Harris committed an absurd slip of the finger in this space yesterday, when he referred to BICC (the international cable and construction group) as a prohlem in bank supervision. What he meant to type, as was clear from the context, was BCCI (a failed bank). The anagrammatic slur is withdrawn, with apologies.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Berlin	S	6	43	Caracas	C	28	82	Faro	S	19	66	Islamabad	F	28	82
Algiers	S	19	66	Biarritz	F	11	52	Casablanca	C	20	68	Florence	S	13	55	Istanbul	S	28	82
Amsterdam	F	9	48	Bombay	S	35	95	Chicago	S	7	45	Frankfurt	C	7	45	Jakarta	R	34	93
Athens	F	25	77	Bordeaux	C	10	50	Cologne	C	7	45	Geneva	F	8	46	Jersey	C	10	50
Bahrain	S	31	88	Boulogne	F	10	50	Copenhagen	S	7	45	Gibraltar	F	18	64	Johannesburg	S	19	66
Bangkok	C	31	88	Brussels	F	8	46	Corfu	F	22	72	Glasgow	C	12	54	Lima	C	20	68
Barcelona	F	15	59	Budapest	F	8	46	Dallas	S	12	54	Helsinki	C	1	34	Lisbon	S	14	57
Beirut	S	35	95	Buenos Aires	F	22	72	Dublin	F	12	54	Hong Kong	S	26	79	London	S	10	50
Belfast	C	11	52	Cairo	S	34	93	Dubrovnik		–	–	Innsbruck	C	6	43	Los Angeles	C	18	64
Belgrade	R	7	45	Cape Town	S	15	59	Edinburgh	F	13	55	Inverness	C	11	52	Luxembourg	C	6	43

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	22	72	Milan	F	14	57	Nicosia	S	29	84	Salzburg	F	4	39	Tenerife	S	20	70
Madrid	S	12	54	Montreal	F	2	36	Oporto	S	16	61	San Francisco	S	16	61	Tokyo	[illegible]	[illegible]	68
Majorca	F	12	54	Moscow	C	8	46	Oslo	S	4	39	Seoul	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	41
Malaga	S	17	63	Munich	S	3	37	Paris	C	9	48	Singapore	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	66
Malta	S	20	68	Nairobi	R	19	66	Peking	S	17	63	Stockholm	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	61
Manchester	F	9	48	Naples	R	12	54	Prague	C	5	41	Strasbourg	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	55
Manila	F	35	[illegible]	Nassau	F	31	88	Reykjavik	C	5	41	Sydney	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	46
Melbourne	F	21	70	New Delhi	S	30	86	Rhodes	S	26	79	Taipei	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	43
Mexico City		–	–	New York	S	8	46	Rio de Janeiro	C	31	88	Tangier	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	41
Miami	F	34	[illegible]	Nice	F	16	61	Rome	S	16	61	Tel Aviv	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	45

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1991 Tuesday October 22 1991

INSIDE

Retailer's discount chain puts it ahead

Amber Day, the UK retail group more than trebled its profit last year thanks to its What Everyone Wants discount chain. Its 44 shops in Scotland and the north of England, including six opened during the year, contributed £13.1m ($22.53m) operating profit. Page 30

Newspaper group hit

Southern Newspapers, the UK regional publisher, said pre-tax profits fell to £8.61m ($14.8m) from £15.05m as the recession in the south of England hit advertising revenues during the year to end-June. However, Mr John Salkand, chairman, said the outlook was brighter, with revenues stabilising. Page 30

Americas rediscovered

The Americas were rediscovered by investors last week, coinciding with the US celebration of Columbus Day. Wall Street, Canada and Mexico were three of the best performing markets, according to the FT-Actuaries World Indices. The American rally helped the World Index to rise 2 per cent on the week in local currency terms. Back Page

Small is beautiful for farmers

Very small farms constitute more than 40 per cent of all agricultural holdings in the UK, according to a recently-published study. It produced some odd conclusions. Of the UK's 240,000 holdings, at least 100,000 fall into the very small farm category. They are of negligible agricultural significance, accounting for only 2 per cent of production. Should these be classed as farms at all? Who are these 100,000 small farmers and what do they do? Page 34

Shifting into a faster gear

David Brown, the Huddersfield engineering company which was gear maker to the world for 130 years, has lurched from one financial crisis to the next. Mr Chris Cook (left), who with Mr Chris Brown bought the company for £46m in 1990, said: "Despite 20 years of mismanagement we still have a group which is a world leader with huge underlying strengths in its technology, skills and name." Page 31

Bidding for Australian licence

Kalori Communications, the consortium bidding for Australia's second telecommunications licence, may lose the support of France Telecom and Ameritech and Bell Atlantic of the US. Page 28

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer-Hypo	359	+	6
Deutsche Babck	154	+	5.5
Linotype-Hell	394	+	21
Metallgesellsch	419.9	+	7.9
Schmalbach Lub	557	+	6.6
Falls			
Aachen Mch Rep	725	−	20

NEW YORK ($)

Rises			
Analog Devices	8½	+	¾
Chase Manhattn	18⅞	+	⅜
Zenith Elects	6¼	+	⅞
Falls			
Citicorp	11⅝	−	⅛
Owens-Corning	19⅞	−	4⅞
Southwest Air	26¼	−	1

New York prices at 12:30.

PARIS (FFr)

Rises			
Audi Entrepr	980	+	48
Falls			
Arjomari Prioux	2285	−	95
Bancaire Cie	511	−	16
CGIP	988	−	32
Union Immob Fr	500	−	15
Valourec	3160	−	62

TOKYO (Yen)

Rises			
Godo Shusei	1710	+	210
L Kakuei	545	+	50
Meiji Machine	548	+	48
Nippon Carbon	1750	+	200
Nippon Concrt.	880	+	69
Nissan Diesel	635	+	48

LONDON (Pence)

Rises			
Amber Day	125	+	5
First Earth	90	+	8
Intercare	131	+	6
Joyes	453	+	14
ML Labs	770	+	25
Teltos	63	+	4
Wood (SW)	65	+	4
Falls			
Aberdeen Steak	25	−	5
Compass Grp	425	−	22
Costain	55	−	6
Jessups	42	−	7
Legal&General	385	−	11
P & P	50½	−	50½
Pentland	110	−	8
Rank Org	664	−	20
Scot Metrop	75	−	12
Scottish TV	603	−	20
Sears	98	−	5
Scott Cowella	10	−	4
SW Water	340	−	13
TSW	51	−	5
TVS Ent	14	−	2

Mannesmann buys stake in instrument maker

By David Waller in Frankfurt

MANNESMANN, the German steel and engineering group, is moving further into car components with the acquisition of 51 per cent stake of the voting shares of VDO Adolf Schindling, a Frankfurt-based manufacturer of instrumentation systems for cars and aircraft which has been family-controlled since the 1920s.

Terms of the purchase were not disclosed, although analysts speculated that Mannesmann had paid more than DM200m ($115.20m) for the majority holding in a company which is a world leader in its niche markets, with sales of more than DM2.2bn last year.

The acquisition comes less than two months after Mannesmann won control of Boge, a German manufacturer of struts and shock absorbers, and reflects Mannesmann's determination to diversify away from its traditional steel businesses.

Its other car components businesses include Fichtel & Sachs, brake and clutch manufacturers, and total sales from this area before the purchase of Boge were DM3.6bn.

VDO, like other German car component manufacturers, has recently come under pressure from a combination of weak demand from overseas markets and a fierce squeeze on margins at home.

Group earnings fell by 39 per cent last year and are likely to fall again this year.

Yet VDO insisted that the deal was done for long-term strategic reasons and not because of any short-term problems with profitability.

A joint statement said that the partnership would bring technological synergies and would secure the financing of the future growth of the business.

VDO said that the move was consistent with its long-term plans for the business and there was to be no change in industrial strategy.

"The deal has nothing to do with cost and price problems which cannot be solved by an outside partner," said VDO yesterday.

"They will be solved internally and together with our customers. We are not weak – we are talking about a decrease in profit for the current year but not a loss."

The announcement of the link-up with Mannesmann prompted a statement from Siemens, the Munich-based electronics giant, which in recent weeks had also been in negotiations with the Schindling-Rheinberger family, owners of 100 per cent of VDO's voting shares.

Siemens said it regretted not being able to strike a deal which it said would produce "excellent synergies" but that it could not agree with certain conditions laid down by the sellers.

It would not comment on what these conditions were, although analysts thought they probably concerned the role of the Schindling-Rheinberger family in the future management of the business.

Hydraulic systems: the group is diversifying

Sanwa launches unit trusts in the UK

By John Authers in London

SANWA International, the Japanese bank, today launched 10 authorised unit trusts in the UK – the first entry by a Japanese institution into the UK unit trust industry. It is also the highest number of unit trusts to be simultaneously launched by one company.

The move surprised observers: the unit trust industry was severely damaged by the Black Monday fall of October 1987, and has still not fully recovered. It is also widely thought that there are too many unit trusts on the market – more than 1,400, managed by more than 100 groups.

Sanwa is based in Osaka, rather than Tokyo and its traditional base is in retail banking, rather than fund management. However, Sanwa has had a base in London since 1973 and internationally it has around $5bn in funds under management. It is the world's fifth largest bank in terms of asset size.

The bank sees the launch of these funds as a step towards becoming a "top global universal bank". It is prepared to take losses in its first few years, but in the long term aims to be a leading contender in UK unit trusts. Dr Arjuna Sattampalam, managing director of Sanwa International, pointed to the success of Fidelity, a US-based company which launched four unit trusts in 1979 and is now the fifth-largest UK unit trust provider.

The initial marketing expenditure will be modest – under £1m. The £16m which Sanwa hopes to raise in total funds is also relatively small compared with recent high-profile retail launches, such as the £246m which M&G, the UK fund management group, raised for an investment trust.

Sanwa is making a quieter launch to institutions and large intermediaries and admits that without a track record or a well-recognised name it will find it initially difficult to raise consumer interest.

The unit trusts cannot be held in a Personal Equity Plan, and there is no facility to buy them via regular savings schemes but will be added once a track record has been established.

Trusts are being offered in UK Equities; UK Growth; International Equities; International Bonds; American Growth; American Smaller Companies; Japanese Equities; Japanese Smaller Companies; European Growth; and Asian Growth.

Discounts are available during the launch period, which lasts until November 11.

Time Warner reduces deficit

By Alan Friedman in New York

TIME WARNER, the US media and entertainment giant negotiating a joint venture that would see an investment of around $1bn from Toshiba and C. Itoh of Japan, yesterday unveiled a $62m net loss for the third quarter of 1991, compared with a $91m deficit a year ago.

The deficit, which translates into a loss of $2.66 per share, against a loss of $4.05 a year ago, was struck on unchanged revenues of $2.9bn. For the first nine months of 1991 the net loss was $144m, compared with a $193m loss in the same period of 1990.

Although the publishing division's operating income nearly disappeared in the quarter – earnings fell to $1m from $54m a year ago and were nearly halved to $122m for the first nine months – Time Warner saved money on interest charges because its debt was reduced by a $2.6bn rights issue completed during the quarter.

Profits from the music division rose to $116m from $109m year-on-year while filmed entertainment income declined from $140m to $120m. Home Box Office (HBO) cable television earnings were $2m higher at $47m and overall cable earnings rose from $198m to $221m.

Total operating income before depreciation and amortisation was down to $505m, against $546m a year ago. Operating income in the first nine months of 1991 was down to $1.59bn from $1.62bn last year.

Mr Steve Ross and Mr Nick Nicholas, co-chief executives, said that the music, cable and HBO divisions posted record results in the quarter.

The publishing division would have showed improved earnings, said the company, but for a $60m restructuring charge taken because of staff reductions.

Time Warner still has $8.9bn of debts, but is hoping the Japanese joint venture will further reduce its interest charges.

The company's motion picture division suffered because of fewer television programmes entering the domestic syndication market, but was helped by strong box office results from films such as Robin Hood and Doc Hollywood.

The improved music earnings were helped by strong US sales and best-selling releases in the third quarter.

Yesterday morning in New York, Time Warner's share price rose $1 to $85⅛.

NatWest Bancorp loss hits $65.7m

By Alan Friedman in New York

NATIONAL Westminster Bancorp, the wholly-owned US subsidiary of Britain's National Westminster Bank, yesterday revealed a third-quarter loss of $65.7m.

The subsidiary has been hit by property loan problems, including its exposure to Mr Donald Trump, the property and casino developer.

The latest result is an improvement on the $85.1m loss suffered in the second quarter of this year and the $190.9m deficit in the first quarter, but is well above the $35.3m loss in the same period of 1990. For the first nine months of 1991, NatWest Bancorp's loss was $341.7m, or more than double the $123.5m loss of the first three quarters of 1990.

The bank said it has implemented sweeping management changes in its US unit since last year, including the transfer last April of Mr John Tugwell, a main board director from London who is now based in the US.

Mr Tugwell said yesterday the US banking operation would not return to the black during 1991, but he said the bank was "well-positioned to accomplish our anticipated return to profitability because our core business is sound, costs are under control and capital ratios are in excess of regulatory guidelines".

NatWest Bancorp's third-quarter bad debt provisions were $123.1m, against $101.6m a year ago. Bad debt provisions in the first nine months of 1991 were $479.7m, against $305m in the same period of 1990.

Last June, the parent UK bank injected $300m capital into the US subsidiary and affirmed its continuing support for the US restructuring.

Third quarter net interest income was $180.4m, down from $187.4m in the same quarter last year.

Non-interest income was $81.6m, an increase of $21.2m year-on-year.

The total assets of the US subsidiary at the end of the third quarter were $21.6bn, down from $23bn a year ago. The total loan book stood at $14.3bn, down from $16.4bn, while deposits were unchanged at $13.1bn. Equity capital was $1.73bn, down from $1.84bn a year ago.

The bank's allowance for loan losses as a percentage of total loans was 4.72 per cent, compared with 2.74 per cent a year ago. Non-performing loans amounted to 9.11 per cent of total loans, up sharply from 5.47 per cent a year ago.

SKF declines 95% after nine months

By Robert Taylor in Stockholm

SKF, the world's leading rolling bearings manufacturer, has announced a 95.2 per cent drop in profits (after financial items) for the first nine months of the year to SKr85m ($13.8m) compared with SKr1.78bn for the same period of 1990.

There was a slight recovery in the third quarter to SKr22m from SKr4m in the second quarter. However, this was much lower than the SKr435m (after financial items) in the third quarter of last year.

Return on capital for the first nine months was 3 per cent compared with 17.9 per cent for the same period of 1990, while there was a SKr3.45 loss per share compared with an earnings per share of SKr8.75 a year earlier.

The company blamed weaker than expected growth in Germany and other parts of Europe for its gloomy performance which was much worse than forecast.

Only two months ago SKF had expressed guarded optimism that its second-half results would be broadly in line with last year's when it made SKr407m.

Over the first nine months there was a 4.8 per cent decline in net sales to SKr20.07bn from SKr21.08bn while third-quarter sales were SKr6.28bn compared with SKr6.37bn in 1990.

The company's tool division made a loss for the fourth consecutive quarter, SKr18m compared with a SKr24m second-quarter loss and a SKr12m profit for the third quarter of last year.

Tool sales also fell, SKr430m compared with SKr512m in the second quarter, but this was better than SKr313m in the same period of 1990.

Losses in the company's components business rose to SKr46m in the third quarter compared with a SKr33m second-quarter loss and a SKr58m profit in the third quarter of 1990.

Sales in this division fell to SKr989m compared with SKr1.06bn for the second quarter. A further 1,691 workers left the company in the third quarter.

Siemens to pay DM2bn for the rest of Nixdorf

By Andrew Fisher in Frankfurt

SIEMENS of Germany has decided to tighten its control over the ailing Nixdorf Computer company, which it rescued last year, by raising its stake from the present 78 per cent of the combined voting and preference stock to 100 per cent at a cost of nearly DM1.9bn ($1.1bn).

The price paid to the holders of the outstanding shares will be DM225 each, or 25 per cent above the latest stock market price.

Nixdorf family and foundation shareholders hold just over 7 per cent and other private shareholders about 15 per cent.

Siemens already owns 91 per cent of the voting shares after a capital increase last year before its full absorption of Nixdorf.

Siemens said yesterday that Siemens Nixdorf Informationssysteme (SNI), the joint subsidiary it formed by combining its own computer interests with Nixdorf, was still making heavy losses. These included the costs of restructuring.

In SNI's first full business year to September 30, 1991, it booked incoming orders of DM13bn, 9 per cent more than the previous Siemens and Nixdorf operations combined.

Turnover was slightly lower at around DM12bn.

For the first half of 1990-91, SNI's losses were DM380m.

Siemens admitted a month ago that its results would be hit further by restructuring costs of some DM500m, but declined to comment on reports that it was also heading for a DM500m operating loss.

Munich-based Siemens said yesterday that the decision to raise its stake to 100 per cent was intended to strengthen SNI's balance sheet in line with its competitors.

Nixdorf was formerly a high-flying independent computer company, but fell victim to tough competition, falling prices and rising component costs, and the rapid trend to standardisation which rendered much of its hardware outdated.

Lafarge plans Spanish expansion

By Tam Burns in Madrid and William Dawkins in Paris

LAFARGE COPPEE, France's largest cement and construction materials group, plans to continue its expansion in Spain by taking a large stake in Texsa, a FFr1bn ($173.6m) per year turnover building products group.

Lafarge Nouveaux Materiaux (LNM), the French group's pre-mixed construction materials division, yesterday said it had taken an option to buy a 49 per cent stake in Texsa. The deal, due to be finalised by the end of the year, is worth Pta2.5bn to Pta3bn ($28.5m), said Madrid stock market observers.

Lafarge said LNM "confirms its interest in the growth prospects of the Spanish market, due to the rapid development of modern construction techniques".

Texsa, which specialises in roof sealing products and facade surfacings, is 97 per cent owned by Lain, the former Spanish arm of UK builders John Laing. Lain, the subject of a management buy-out in 1988, bought Texsa from the Spanish state-owned energy group Repsol at the beginning of this year and was then floated on to the Madrid stock market in June.

The purchase would make LNM among Spain's leading specialist suppliers of pre-mixed construction materials, such as mortar, construction paints and facade coatings. LNM already has FFr40m annual sales there, through its local subsidiary, Ortesa.

LNM's French parent also owns Asland, Spain's leading cement producer, with a 5m tonne annual capacity. Lafarge took control of Asland in 1989.

Lain is forecast to raise its net profits to Pta1.1bn this year against Pta806m last year and could make a more than Pta700m from selling 49 per cent of Texsa.

LNM last year reported a FFr241m operating profit on sales of FFr2.8bn, while the Lafarge group made a FFr5.6bn gross operating profit on turnover of FFr32.5bn in 1990.

INTERNATIONAL COMPANIES AND FINANCE

Chase Manhattan makes progress

By Alan Friedman in New York

CHASE Manhattan, the New York bank that has been hard hit by the real-estate slump, yesterday released improved third-quarter results which suggest the bank's policy of slashing costs and restructuring is beginning to pay off.

The bank reported third-quarter net income of $136m, compared with a loss of $623m in the same quarter of 1990. Earnings per share were 79 cents, against a loss of $5.03 a year ago.

For the first nine months of 1991 Chase achieved $385m of consolidated net profits, compared with a loss of $527m in the same period of last year.

Although Chase forecast the improvement earlier this month, Wall Street was nonetheless pleased and marked the bank's share price $¼ higher to $18¾ in trading yesterday morning.

The Chase results reflect increases in net interest revenues, fee-based income and reductions in bad debt provisions and operating expenses.

Mr Tom Labrecque, chairman, said the bank was encouraged by its progress, which included the acquisition of two banks in Connecticut and an improved common equity-to-assets capital ratio of 4.26 per cent, against 3.56 per cent a year ago. The bank, he said, also exceeded its target of reducing the workforce by 5,000 employees.

The provision for possible credit losses for the third quarter was $265m, the same as in the second quarter and significantly lower than the $650m set aside a year ago.

Chase said that if the US economy remained weak in the coming months it could cause the bank to make further substantial loan-loss provisions during the rest of 1991.

The provision for bad debts in the first nine months of 1991 was $770m, compared with $1.1bn in the same period of 1990.

Chase is facing several challenges, not least of which will be the retail banking assault expected when Chemical Bank and Manufacturers Hanover Trust complete their planned merger. The Chase results, however, compare favourably with the $885m loss recorded in the third quarter by Citicorp, the leading US bank.

Zenith improves in third quarter

By Barbara Durr in Chicago

ZENITH Electronics, the US consumer electronics group, continued to accumulate losses in its third quarter with net deficit of $1.5m, or 5 cents a share. This, however, was an improvement over last year when net losses were $11.6m, or 44 cents a share.

A cost-cutting programme, which sliced $10m off costs, helped the latest quarter's results. However, Zenith's chairman, Mr Jerry Pearlman, warned that "the lingering difficult economic and industry environment" meant the company would have to continue to intensify its cost cutting.

For the first nine months, Zenith's losses were $52.1m, or $1.82 a share, almost double last year's loss of $26.8m, or $1.01.

Sales have been hit hard by the US recession. Third-quarter returns were $344m, np slightly from $342m for the same period last year.

Although Zenith was able to sell more colour televisions and video-cassette recorders this past quarter compared with the third quart of 1990, its margins were under pressure from the cumulative price reductions made by the industry in recent years.

Zenith invested $5m during ths third quarter in its high definition systems (HDTV), on which it has pinned its hopes to turn ths company around.

The US Federal Communications Commissioo has begun testing HDTV during the past quarter, and the Zenith-AT&T all-digital HDTV system is scheduled to start tests in the first quarter of 1992.

Unisys narrows loss to $75.8m

By Louise Kehoe in San Francisco

UNISYS, the financially troubled US compoter maker, reduced losses for its third quarter as it continued to consolidate operations to reduce costs and reduce its heavy debt load.

In the third quarter Unisys reported a net loss of $75.8m, or 66 cents a share. In the same period last year the company suffered s net loss of $357m or $2.42, , including a charge of $181m for job cuts and consolidation of operations.

Revenue for the quarter was down sharply at $1.97bn, compared with $2.40bo in the year-earlier quarter.

Third-quarter results for 1991 do not include proceeds from the sale of Timeplex which was sold for $207m.

"We are encouraged that, in spite of lower revenue, profit from operations in the third quarter improved and expenses are trending downward," said Mr James Unruh, chairman and chief executive.

Asset sales of more than $250m were completed in the quarter, raising total cash generated by sales to more than $550m in 1991.

Unisys reduced its debt by nearly $400m during the third quarter, Mr Unruh said. The company's debt, net of cash, was now below $3bn for the first time over three years, he said.

For the first nine months of 1991, Unisys' net loss was $1.47bn, including a special charge of $1.2bn recorded in the secood quarter, oo revenoe of $6.23bn. In the same period a year ago, the net loss was $348.2m, including a special charge of $181m, on revenue of $7.18bn.

Mr Unruh said that the proposed sale of the company's defence operations through an initial public offering announced last month would "concentrate all resources and management tima on Unisys' commercial information systems operation".

He said the company's efforts to lower cost structures to a level below that needed to support conservative revenns projections for 1991 and 1992 were "on schedule".

Worldwida employmsnt in the quarter dropped by more than 6,000, including 2,300 jobs as a result of the sale of Timeplex.

Inco tumbles as nickel prices drop

By Bernard Simon in Toronto

INCO, the western world's leading nickel producer, has blamed sagging prices and lower productivity at its Canadian operations for a 95 per cent slump in third-quarter earnings and a continuing cash shortfall.

Net earnings fell to US$4.5m, or 3 cents a share, from US$97m, or 92 cents a share, a year earlier. Sales dropped to $648.5m from $763.6m.

The latest figure includes a $18.8m charge to cover the costs of an early-retiremeot programme annonnced recently as part of restructuring of its operations in Sudbury, Ontario.

Operating income from primary metals dropped to $43m from $189m. Inco realised an average nickel price of $3.90 per lb in the third quarter, down from $3.97 in the previous three months and $4.46 a year earlier.

Nickel shipmeots fell to 113m lbs from 116m lbs. Deliveries for the first nine months totalled 382m lbs, up from 364m lbs, but the cuts at Sudbury will reduce Canadian production by 10m lbs over the balance of the year.

Partly because of prodnction cuts, finished nickel inventories dropped to 50m lbs at the end of September, from 65m lbs at the end of June.

Inco ascribed higher, though unspecified, unit production costs to rising wages and benefits, increased depreciation, and the depletion last year of the low-cost Thompson North mine in Manitoba.

Deadline looms in Harcourt Brace offer

By Nikki Tait

THE TENDER offer by General Cinema for bonds in Harcourt Brace Jovanovich, the ailing US pnblishing house, headed into its final day with the entertainment and retailing group still short of its target.

General Cinema had threatened to walk away from the deal if 90 per cent of each five classes of bonds had not been tendered by 5pm yesterday.

The bidder said that by the close of business on Friday it had met this target in respect of only one class of bonds – the 13 per cent senior notes.

Overall, it had received tenders for 87.5 per cent of Harcourt's $1.85bn in debt securities, only marginally increased on the previous week's tally of 87.4 per cent.

In the past General Cinema has been as good as its word and walked away from situations, including Harcourt Brace.

The deal between the two companies has hung in the balance for many months. The bidder let an earlier offer expire in the wake of opposition from bondholders in April and then came back with the current, revised offer, which has already been extended.

Repola blames FM874m deficit on slack demand

By Enrique Tessieri in Helsinki

REPOLA, Finland's largest listed group, fell deeply into the red during the first eight months of the year. The company reported a loss of FM874m ($210m) before taxes and minority interest, against a profit of FM715m in the corresponding period in 1990.

The company blamed the loss on lower international demand for forest products and machines, as well as on problems in the national shipbuilding industry.

A FM135m loss by Metsä-Botnia, a pulp group in which Repola has a large minority holding stake, and an increase in net interest expenses to FM1.05bn from FM622m undermined the group's profitability.

Group investments during the January-August period fell sbarply to FM1.36bn, from FM3.61bo in the year-earlier period.

Consolidated sales also slipped to FM13.92bn from FM15.18bn. Operating profit fell to FM455m from FM1.24bn. The loss per share was FM6.72.

Mr Tauno Matomäki, president, said he did not expect market conditions for Repola's products to improve during the remainder of this year.

Repola's three industrial groups reported a setback in profitability. United Paper Mills (UPM), Repola's biggest division and Finland's largest forest group, said that its operating profit had fallen to FM482m from FM987m.

Rauma, the group's metals engineering division, and Rosenlew, the plastic packaging arm, reported operating losses.

Tampella deeper in the red

TAMPELLA, the troubled Finnish forest and metals eogineering group, yesterday reported an increased pre-tax loss of FM868m ($210m) in the first eight months of the year, against a deficit of FM225m in the same period last year, writes Enrique Tessieri.

The group also saw a sharp rise in the loss after financial items, from FM327m to FM807m. Consolidated sales rose to FM4.49bn from FM4.19bn.

The group was placed under the control of the Bank of Finland earlier this month after Skopbank, Finland's fourth largest bank and a major shareholder in Tampella, was rescued by the Bank of Finland.

● Valmet, the Finnish state-owned paper machinery and metals engineering group, said losses before tax and allocations had increased to FM560m in the first eight months, from a loss of FM275m last time.

Consolidated sales fell to FM4.11bn from FM5.57bn.

Southwest Airlines slips to $15.7m

By Nikki Tait in New York

SOUTHWEST Airlines, the Dallas-based regional carrier which is generally regarded as one of the most promising US airlines, yesterday reported third-quarter profits of $15.7m, down by almost one-third on the $23m earned in the same period a year earlier.

Operating profits slipped from $36.7m to $31.1m, while non-operating gains of $2.69m turned into a small loss of $45,000. Net interest charges were also higher at $9.26m, compared with $6.35m. Revenues were up from $316.4m to $355.3m.

Southwest's figures follow the release last week of some stronger-than-expected results from American Airlines.

Southwest noted that "aggressive promotions" had been used to stimulate an otharwise weak domestic travel market, resulting in improved traffic. It said it was also relatively optimistic about ths fourth-quarter prospects.

"Bookings for the fourth quarter look very good compared with the same period of 1990," the airlina said, although Southwest conceded that, with a "tentative" economy, it was continuing aggressive promotions.

This was expected to push down comparahls revenue yields, but Southwest saw the prospect of a favourable load factor and available seat-mile yield comparisons.

Cummins optimistic as cost-cutting takes effect

By Karen Zagor in New York

EFFORTS to cut costs appear to be paying off for Cummins Engines, one of the world's leading diesel engine makers, which has significantly narrowed its third-quarter loss and expects to break even in the fourth quarter.

Analysts had expected worse results from Cummins. Shares in the company climbed $1⅞ to $41⅞ at mid-session in a declining market.

For the three months ended September 29, the Columbus, Indiana-based company suffered a net loss of $11.8m, or 94 cents a share, against a deficit of $33.7m, or $2.55, in the year-earlier period.

Cummins' loss before taxes, minority interest and extraordinary items was $8.4m in the 1991 quarter, compared with $49.1m a year earlier.

The company's sales were bolstered by strong demand for its mid-range B and C Series engines. Net sales improved to $850.9m in the quarter from $829.8m a year earlier.

Tha company said that third-quarter results were historically the weakest of the year because of plant shutdowns and seasonal declines in engine parts and sales.

Although Cummins expects to break even in the fourth quarter, it has seen no signs of economic improvement in its key markets and said that conditions remain uncertain.

For the first nine months, the group recorded a net loss of $11.8m, or $1.20 a share, compared with a net loss of $18.7m, or $2.64, in the 1990 period. Exclnding one-time items, taxes and minority interest, Cummins' net loss grew to $48.4m in the first three quarters, from $22.5m a year ago. Sales eased to $2.54bn from $2.56bn.

In May, Cummins slashed its quarterly dividend to 5 cents a share, from 55 cents, in an effort to rednce its cash requirements.

Profits at Marsh & McLennan flat

MARSH & McLennan, the world's largest insurance broker, yesterday reported static after-tax profits of $74m in the three months to end-September. In the same period of the previous year, it made $74.6m, writes Nikki Tait.

Operating revenues were virtually unchanged, at $679m, against $681.5m, although the balance shifted slightly from consulting and in favour of investment management.

Operating profits were $133.4m, against $133.7m last time and earnings per share were identical at $1.02.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.10.91: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.82	15.92	15.92
0100	15.82	15.87	15.87
0130	15.86	15.87	15.87
0200	15.92	15.87	15.87
0230	15.92	15.87	15.87
0300	15.92	15.87	15.87
0330	15.92	15.87	15.87
0400	15.92	15.86	15.86
0430	15.88	15.89	15.89
0500	15.88	15.89	15.89
0530	15.92	15.85	15.85
0600	15.92	15.86	15.86
0630	15.91	16.05	16.05
0700	16.23	16.25	16.25
0730	18.78	17.83	20.36
0800	25.06	22.16	25.61
0830	27.23	27.96	32.37
0900	26.92	30.86	35.29
0930	26.60	31.78	37.49
1000	25.53	32.77	38.77
1030	24.66	33.30	39.90
1100	23.78	34.15	40.85
1130	23.77	37.00	44.47
1200	23.85	40.92	48.65
1230	23.53	40.22	48.58
1300	20.24	35.70	42.85
1330	19.45	28.95	33.66
1400	19.16	26.52	30.36
1430	18.25	25.78	29.33
1500	18.24	25.46	28.92
1530	18.23	26.64	26.64
1600	18.97	28.33	28.33
1630	20.63	32.01	32.01
1700	21.44	33.23	39.60
1730	22.16	31.14	36.63
1800	25.20	27.01	31.10
1830	31.57	23.82	26.64
1900	32.26	24.00	25.83
1930	28.93	22.77	26.06
2000	24.03	25.89	29.12
2030	20.10	25.11	28.46
2100	18.07	24.05	28.98
2130	18.02	19.42	21.94
2200	17.81	18.42	20.85
2230	17.28	17.74	20.13
2300	16.52	16.25	16.25
2330	15.82	16.14	16.14
2400	15.64	15.87	15.87

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.660/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined, approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Telecoms trio expected to drop Australian bid

By Kevin Brown in Sydney

FRANCE TELECOM and Ameritech and Bell Atlantic of the US are expected to withdraw shortly from Kalori Communications, one of two consortia bidding for Australia's second telecommunications licence.

Hutchison Whampoa of Hong Kong, the remaining member of the consortium, is expected to proceed with the bid, but the withdrawal of its French and US partnera increases the likelihood that the second licence will be awarded to the rival Optus Communications consortium.

Optus is owned by Bellsouth of the US and Cable & Wireless of the UK, each holding 24.5 per cent, and Mayne Nickless, an Australian transport group, with 20 per cent. Australian institutions hold the balance.

The second licence will be awarded to the winning bidder for Aussat, the government's loss-making satellite company. The privatised Aussat will compete with a government-owned carrier formed by a merger of Telecom Australia, the main domestic carrier, and OTC, which handles international traffic.

Earlier this year, the government announced the duopoly would last until 1997, giving the second carrier five years to establish itself before Australia moves to open competition in telecommunications.

Kim Beazley: may have to resolve dispute

Optus has amarged as favourite to win the licence after promising to spend A$4bn (US$3.2bn) over five years to provide competitive STD and ISD access to all Australians, and a digital cellular service to 80 per cent of the population. It says it will achieve a 21 per cent share of the domestic and long distance market for residential and small business customers by 1997, and more than 30 per cent of the cellular market.

Withdrawal of three of Kalori's four partners is embarrassing for the federal Labor government, which needs to demonstrate to opponents of privatisation that it can achieve a high price for Aussat. It follows tortuous negotiations between Telecom Australia and both consortia over the interconnect fee – the price to be paid hy tha second carrier for access to Telecom's trunk lines.

The level of the interconnect fee is crucial to the second carrier's prospects of viability and to Telecom/OTC's ability to defend its market share against competitors.

Compromise recommendations by Austel, the industry's supervisory body, were rejected hy both consortia, hut neither has been unahle to reach agreement with Telecom, raising the prospect that Mr Kim Beazley, the communications minister, may hava to resolve the dispute.

Kalori's US partners are thought to have concluded there was little prospect of profitable investment in Australia, partly because of the government'a plans to move quickly to open competition.

Both companies are part owners of Telecom New Zealand, which was privatised earlier this year, but are understood to hava identified few possihilitias for synergy between the two countries.

Hutchison said it would table a bid for Aussat by the governmant's deadline of November 8 and indicated it would announce a strategic link with an overseas manufacturer of telecommunications equipment.

Kao warns of slower domestic growth

By Robert Thomson in Tokyo

KAO, the Japanese household products and cosmetics maker, unveiled a 4.5 per cent increase in pre-tax profits to Y19.9bn ($153.3m) for the first half to end September.

It indicated, however, that the "clear signs" of slower domestic aconomic growth were likely to result in a modest increase in sales for the remainder of the year.

Sales for the first half rose 3.6 per cent to Y288.5bn, but Japanese companies have generally become more pessimistic about second-half sales, having previously expected a sluggish economy to regain momentum.

Departmant store sales remain weak, although the downturn is not expected to be deep enough to affect severely the sales of daily use goods.

Kao's sales of personal care prodncts and cosmetics rose 3.7 per cent, after the introduction of two new shampoo lines, while sales of household laundry and other cleaning products increased by 3.3 per cent, and those of hygiene and other prodncts were 2.7 per cent higher.

Chemical product sales rose 5.3 per cent, in spite of the softness in important customer areas, such as tha auto indnstry, construction, and paper and pulp. Sales of fatty chemicals rose 9.7 per cent, and sales of specialty chemicals and floppy disks were 3.4 per cent higher.

For the full year, the company predicts sales of Y585bn, up from Y570bn last year, and a pre-tax profit of Y42bn, up from Y40bn.

Interest helps Engen rise 34% to R286m in difficult trading

By Philip Gawith in Johannesburg

ENGEN, the integrated energy company in South Africa's Gencor group, overcame a difficult operating environment to record a 34 per cent increase in attrihutahle earnings in the year to 31 August. The company was helped hy interest income on the proceeds of a R1.1hn ($388.5m) rights.

The benefits of the issue saw the gronp record finance income of R42m, compared with a finance charge of R29m last year. This contributed to a 34.2 per cent rise in attrihutahle income, to R286m.

Earnings per share were dilnted by the rights issue, rising 20 per cent to 233 cents. The dividend was also lifted by 20 per cent to 116 cents per share.

Turnover advanced by 20 per cent to R6.1hn, hut margins were trimmed with the result that operating income was only 17.3 per cent up at R379m.

Mr Rob Angel, managing director, said there had been no volume growth for their products in the past year and cost inflation rose faster than selling prices.

This offset the benefits of a rationalisation programme and of integrating the Trek product distribution into the Mobil network. A feature of Engen's performance had been the exceptional increase in the group's exports, albeit off a low base, to contribnte about 5 per cent of profits.

Mr Angel said Engen was trading with nine African countries and all the Indian Ocean islands, volumes having increased by about 250 per cent during tha past nine months.

Significant progress has also been made with exploration and production. Engen is involved with two oil companies drilling in Gabon and Mr Angel said there was hardly a country on the west coast of Africa to whom they were not talking.

He said that Engen's acceptance as a regional participant had been a highlight of the past year, with several large companies looking to do business with them.

Phase 1 of the group's refinery expansion plan, to increase capacity hy 30 per cent, is on target for completion hy July 1992. While it will not help profits in the next 12 months, which Mr Angel says will be tough, he is predicting real earnings growth.

MIM warns of pressure on metal prices

MIM Holdings, tha diversified Anstralian mining group, expects profits to remain low in the year to June 30, 1992, Reuters reports.

The group said in its latest annual report that metal prices would remain under pressure, coal prices would be slow to rise and it was difficult to see a lower Australian dollar.

It said that it would reduce costs by restructuring jobs, through technology, capital investment and being more efficient in purchasing stores and services.

MIM's net profit slumped 74 per cent to A$75.7m (US$60m) in 1990-91 mainly because of operating losses from Australian coal and gold operations. Average prices received by MIM for lead in 1990-91 fell 6 per cent, zinc fell 26 per cent and silver fell 16 per cent.

It forecast that metal consumption would rise in 1991-92.

Mazak chief sees growth in German machine tools

By Andrew Baxter

THE EUROPEAN machine tool market has suffered the steepest decline in the latest worldwide recession, hut the German market has fared much better than the worst-affected markets of France and the UK, says Mr Teruyuki Yamazaki, president of Japan's Yamazaki Mazak Corporation, the world's largest producer of computer numerical controlled (CNC) machine tools.

Mr Yamazaki, speaking in Worcester, said production had been cut over the past year at its European manufacturing plant there. He would not say by how much, hut noted that the plant had been designed to run profitably even at 50 per cent of capacity.

In contrast to many other machine tool makers in the UK the workforca of Yamazaki Machinery UK had stayed roughly constant at about 325 over the past year. Yamazaki says it is the largest machine tool manufacturer in the UK and that about 85 per cent of Worcester's output is exported.

Mr Yamazaki expects to see rapid development of the reunified German market in two to three years' time. Eastern German manufacturers were not accustomed to high-technology machine tools, hut things were changing fast.

He was visiting the Worcester plant because the UK company has been named by a Swedish study as one of the ten "best in the world".

Management at the plant have used the opportunity caused by the cut in production to expand Worcester's product range. If conditions are right, the plant can be expanded to include further models in the 1990s.

Fujisankei puts $50m into new US film maker

Fujisankei Communications Group, a Tokyo media and entertainment company, said it has invested $50m to form a US film production company, Reuters reports.

Although Japanese investment in Hollywood has become fairly commonplace, Fujisankei is tha first Japanese company to form its own production concern in the US.

Other Japanese investment has been in existing Hollywood studios. Fujisankei California Entertainment intends tp produce one to two films a year.

Four mines in Rand Group lift profits 33%

By Philip Gawith

FOUR gold mines in the Rand Mines group lifted after-tax profits hy 33 per cent to nearly R27m ($9.5m) in the September quarter after benefiting from cost controls and better productivity.

Total gold production for the quarter rose 11 per cent to 11,515kg and average underground costs declined to R31,572 per kg gold mined from R32,000. The average gold price received was virtnally unchanged at R33,811 per kg.

Profit sharing and productivity schemes were successfully implemented at the Harmony, ERPM and Durhan Deep mines. The mines paid a total of R3.6m in the quarter in terms of the schemes which Mr John Turner, chairman of the gold division, described as "playing a key role in the performance of the mines concerned". Last week tha JCI group announced it had paid R5.2m in productivity bonuses during the quarter. The best performance came from Harmony, the group's largest mine, which lifted underground gold production hy 19 per cent to 5,634kg. After-tax profit rosa 52.5 per cent to R19.9m.

ERPM improved its operating performance to record a working profit of R5.4m, hut a heavy interest payment of R13,3m left the mine with a loss of R5.7m for the quarter, against a R7.2m loss last year. The mine had total borrowings and deferred interest of R424m at end-September.

Durban Deep lifted profits to R6.1m from R3.9m while Blyvooruitzicht was the only mine in the group to record lower profits, down by R3m to R7.6m because of an increased tax bill.

The Barbrook mine remains on care and maintenance and is not due to re-open in the foreseeable future.

Fletcher to sell assets

FLETCHER CHALLENGE, New Zealand's largest industrial company, plans to continue selling of marginal assets in the year to June 1992, Reuter reports.

Mr Hugh Fletcher, Fletcher Challenge chief executive, said the company planned to sell about NZ$750m (US$424.9m) of assets in 1991-92, compared with NZ$1bn the previous year.

"It's all about trying to improve the quality of our portfolio and concentrate on the products that we believe we can be an internationally excellent operator," Mr Flatcher said in a television interview. While Fletcher Challenge sold its ammonia and urea business in Taranaki, New Zealand, for NZ$45.5m earlier this month, it would concentrate on its methanol business.

Mr Fletcher said tha company hoped to double its level of Australian shareholders, but this would not be through new equity issues.

About 10 per cent of the company's shareholders are Australian.

"We will achieve our balance sheet objectives without issuing any more ordinary equity," he said.

INTERNATIONAL COMPANIES AND FINANCE

Swiss Bank lifts profit by 40% in sluggish economy

By William Dullforce in Geneva

SWISS BANK Corporation, Switzerland's second largest bank, said yesterday it had lifted its profit for the first nine months by nearly 40 per cent before provisions and write-offs, but it gave no figure.

At the half-way stage SBC disclosed a 28 per cent increase to SFr808m ($612m) in the comparable earnings figure.

Group and parent bank cash flows for the full year should be well ahead of last year's results, SBC said. But it was already clear that provisioning needs would also be significantly higher than in 1990. With the economy continuing to be sluggish, loan positions subject to increased risk had expanded.

Last year group cash flow fell by 18 per cent to SFr1.65bn while the parent bank's cash flow at SFr1.49bn was down by 0.9 per cent. The first nine months of 1990 were, however, badly affected by the outbreak of the Gulf crisis.

Net interest earnings for the first nine months this year had been 9.5 per cent higher thanks to improved margins, especially outside Switzerland, and lucrative money market operations, SBC reported.

On a cumulative basis commission income had grown by 6.7 per cent compared with the first three quarters of 1990. Improved revenues from portfolio management and from credit and fiduciary businesses had outweighed the drop in brokerage receipts by a wide margin.

Foreign exchange earnings had also shown a particularly encouraging advance.

Total assets expanded by 3.7 per cent to SFr172.5bn during the first nine months, although the depreciation of the dollar since the end of June had resulted in third-quarter growth of only 0.5 per cent.

On aggregate, SBC's customer deposits declined by 3.9 per cent during the third quarter. Interbank time deposits, which had been relatively low at the end of June, were up 12.8 per cent; non-bank time deposits fell by 6.1 per cent. With short-term interest rates staying high, there was a net outflow of 0.1 per cent from savings and deposit accounts.

Volksbank results, Page 28

Dassault plunges to FFr194m

By William Dawkins in Paris

DASSAULT Aviation, the French maker of military and business aircraft, reported a 26 per cent decline in group profits for the first half of the year and a sharp fall in new orders.

The group, headed by Mr Serge Dassault, saw a 29 per cent decline in consolidated sales from FFr8.8bn ($1.53bn) in the first half of 1990 to FFr6.22bn in the same period of this year. Consolidated profits fell 11.8 per cent from FFr339m to FFr299m.

Group profits, after minorities, fell more steeply from FFr289m to FFr194m. Exports accounted for 60 per cent of sales.

New orders taken in the first half – of which 35 per cent came from civil and space industry customers – dropped to FFr3bn, from FFr 6.5bn in the same period in 1990. However, the figure was not indicative of the likely volume of orders for the full year, said the group. It expected full-year turnover to reach FFr16bn, which would be well down on the FFr18.8bn reported last year.

Development of the Rafale, the new fighter aircraft due for delivery to the French military in 1996, was proceeding on target. Three prototypes were currently undergoing trials, said Mr Dassault.

The Falcon 50 and 900 business jets were showing good sales, after a slowdown at the start of the year due to the impact of the Gulf crisis.

Meanwhile, development of the new Falcon 2000 medium-sized business jet – due for service from 1994 – was on schedule. A prototype was under construction with co-operation from Alenia, the Italian aerospace group.

Granada names chief executive

By Jane Fuller in London

MR GERRY Robinson, who led Compass Group through what was briefly the UK's largest management buy-out, has been appointed chief executive of Granada Group, the British television, leisure and computer services concern.

Last week Granada retained its UK television franchise for £9m, in spite of being spectacularly outbid by North West Television, which fell at the quality hurdle.

On the same day, it cut 550 jobs as part of a radical reorganisation of its loss-making computer maintenance business. The poor performance was a main reason for the departure of the previous chief executive, Mr Derek Lewis.

His resignation in May was seen as a sacrifice required to clear the way for a rights issue, which came in July. It brought in £163m ($282m). The proceeds, together with the £147m sale of bingo clubs, cut group debt from £634m to £340m.

Granada, which cut its interim dividend, had earnings per share last year not much above the 1986 figure.

Mr Robinson said his job would be to "look at the basics in terms of improving profitability". He said his experience at Compass would help him in dealing with Granada's motorway services, computer maintenance and TV rental operations.

Lex, Page 22
Observer, Page 20

NCC gives warning after drop of 44%

NCC, the Swedish property and construction group, yesterday reported a 44 per cent fall in profits for the first eight months to SKr242m ($39.2m) from SKr432m, reflecting the current stagnation in the European building industry, writes Robert Taylor.

The company said results for 1991 were expected to be worse than last year when it made a SKr602m profit.

Sales fell to SKr14.58bn from SKr15.50bn a year earlier. NCC's international building division was particularly badly affected with a loss of SKr115m compared with one of SKr61m in the same period of 1990.

The troubles of Sweden's own construction market are visible in the company's results from its NCC Bygg division which suffered a 28 per cent drop in orders to SKr9.90bn compared with SKr13.68bn for the first eight months of last year. Profits from the division fell to SKr308m from SKr558m.

NCC's property interests also suffered with a sharp drop in profits to only SKr2m compared with SKr71m a year earlier.

The group said yesterday that redirecting its priorities to investments in foreign markets would continue and that planned property sales in Sweden would be postponed for the time being. It said that financial results on the property side would probably continue to worsen compared with last year.

The group's stainless steel manufacturer Avesta also reported a deficit of SKr17m compared with a SKr29m profit for the same period of 1990 but the loss suffered by NK, the department store, was SKr3m compared with SKr67m for the first eight months of last year. Passenger line Effjon dropped to SKr29m.

Beghin-Say down

BEGHIN-SAY, the French food company controlled by Italy's Ferruzzi group, reported net profit after payments to minority interests down 39 per cent in the first half of 1991 to FFr464m (US$80.6m).

Mannesmann deal raises a groan

Christopher Parkes on the German group's acquisitions strategy

The investment community groaned in 1987 when Mannesmann, the German engineering group, bought Europe's largest clutch maker, Fichtel & Sachs. It groaned again yesterday when it announced an agreement to buy control of vehicle instruments and controls specialist VDO Adolf Schindling.

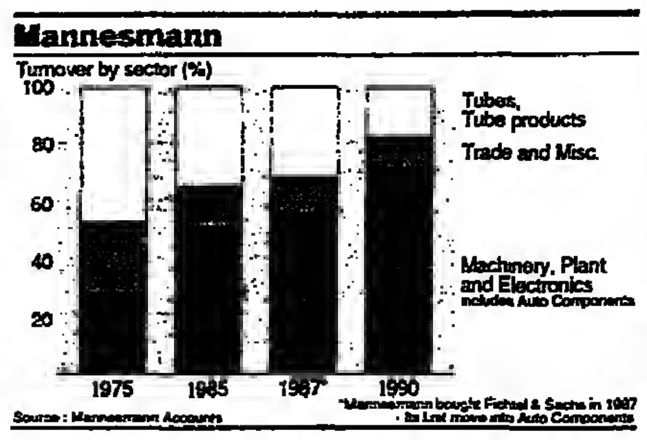
The complaints were the same on both occasions: Mannesmann had paid too much, and if it really wanted to escape the cyclical clutches of its basic steel tube business, what on earth was it doing shovelling funds into the cyclical and crushingly competitive motor components business?

"It's a pity they can't find anything better to do with their money," one analyst remarked. "They should have left it in the bank."

Mannesmann has not disclosed the price of the acquisitions. But Siemens, which also bid, hinted yesterday when it said it regretted not having succeeded, adding that the controlling Schindling-Rheinberger family wanted too much.

Even so, Mannesmann's money is still pouring into components. Last year while Fichtel & Sachs's orders and sales fell, it spent DM277m ($164m) building up the division – 22 per cent of the group's total capital investment – compared with DM241m in 1989.

Mr Werner Dieter, chairman, had once nurtured other ambitions and spending priorities. He announced two years ago that he was looking for a big buy in the US, a market which in 1990 accounted for only DM2.2bn of total group sales of DM24bn. Earlier this year he said it was a pity he had ever mentioned the idea: negotiations on several prospective deals had failed.



The main thrust of Mr Dieter's strategy, however wrong and costly it is considered to be outside the Düsseldorf headquarters, continues at speed. Mannesmann is becoming a technology-led company, characterised by the clear shift from the old steel and tube base, which in 1975 accounted for almost 50 per cent of sales.

By 1990, the proportion was down to just 17 per cent, while plant and machinery, formerly 29 per cent of the business, grew to 47 per cent. Last year, before the acquisition of a controlling stake in Boge, with sales of DM750m, vehicle components were 13 per cent of turnover, matching electronics. VDO had sales of DM2.2bn in 1990, and this year reported midway sales of DM1.1bn.

The development of Mannesmann's electronics interests, after a wobbly patch which concluded with the sale last year of the company's stake in Kienzle, the computer group, to Digital Equipment of the US underlines the strategic changes.

Growth here has been generally organic. Hopes are especially high for Mannesmann's planned D2 mobile telephone network, due to be introduced shortly, now that the obstructive Telekom state monopoly has been told to reduce the rates it wanted to charge for leasing lines to the newcomer.

The deal with the Schindling-Rheinberger family, which surrendered control after commissioning a study which showed it had "no chance" of beating sharpening competition alone, will give Mannesmann annual motor industry sales of at least DM6bn.

While not on the same scale as the likes of Robert Bosch, which has a components business worth DM16bn a year, it has, in four years, built from scratch a new business offering a virtually full product range, encompassing wheels, clutches, suspension gear, brakes, axles, instruments and body mouldings, and employing more than 40,000 people.

Disgruntled analysts suspect more acquisitions will fill out the range, and although Mannesmann said yesterday the VDO factories and workforce would be kept intact, the size and scope of the group's components business suggests the time for consolidation and restructuring cannot be far away. Group profits fell 27 per cent in the first half of this year, while motor parts sales and orders dropped 1 per cent and 2 per cent respectively.

Mr Marcus Bierich, chief executive of Robert Bosch, said during the summer that profits from his automotive components divisions "fell drastically" in the first six months of this year. Motor industry pressure for price cuts was growing, he said, under short-term pressure from falling sales, and under a longer-term squeeze from Japanese car makers pushing deeper into Europe.

With such weighty matters before him, Mr Dieter may see no real future in his technology-led combine for the bicycle business which came with Fichtel & Sachs, nor for the swanky Jaeger-LeCoultre Swiss watch brand which is part of the VDO package.

Investor frustration holds secret of trust's success

THE SECRET of the success of M&G's new Income Investment Trust may lie in the frustration of private investors over the government's insistence on individual share ownership, writes Norma Cohen in London.

The Trust, which raised a record £246m after a well orchestrated – and well financed – publicity campaign, saw the bulk of demand from those who wished to put the securities in their tax-efficient Personal Equity Plans.

In her desire to see individuals own shares in individual companies, Mrs Thatcher's government designed PEPs in 1987 and set a limit on the percentage of funds that could be invested in collective investment schemes.

Currently, up to £6,000 per year can be put into a PEP, with all investments free from capital gains or income tax. However, no more than £3,000 can be put into a collective investment and at least half must be invested in the UK.

Thus, those individuals chary of their ability to pick stocks wisely, or who are concerned about achieving sufficient diversification, have been unable to take full advantage of a PEP's tax relief.

Mr David Boutell, of Chase de Vere, an independent financial adviser and producer of the monthly PEP Guide, said that most individuals find that managing a portfolio of eight to 10 stocks is awkward and expensive, but that fewer stocks expose the investor to greater risks. Thus, collective schemes make more sense. "We thought the M&G trust was a good idea and recommended it heavily to our clients," he said.

Despite intensive lobbying from the operators of collective investment schemes, the government has held firm in its insistence that no more than half a PEP can be invested that way.

M&G's new fund allowed individuals to take advantage of a loophole in the current PEP legislation enabling them to put all their funds into a new equity offering. During the 42-day initial offering period of the Income Investment Trust, its shares are eligible.

However, once the offer closes, it will no longer be a suitable PEP investment beyond the £3,000 limit.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 21, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.757	34.1652	44.1601
Albania	(Lek)	10.1370	5.897	3.4895	4.5103
Algeria	(Dinar)	38.7730	22.5555	13.3469	17.2516
Andorra	(Fr Fr)	9.9150	5.7678	3.413	4.4115
	(Sp Peseta)	183.25	106.603	63.0808	81.535
Angola	(Kwanza)	177.80	103.432	61.2048	79.1101
Antigua	(E Carr $)	4.6560	2.7085	1.6027	2.0716
Argentina	(Austral)	17087.35	9940.29	5882.05	7602.83
Aruba	(Florin)	3.0870	1.7958	1.0626	1.3735
Australia	(Aus $)	2.1600	1.2565	0.7435	0.961
Austria	(Schilling)	20.395	11.8644	7.0206	9.0745
Azores	(Port Escudo)	250.00	145.433	86.0585	111.235
Bahamas	(Bahama $)	1.7190	1	0.5917	0.7648
Bahrain	(Dinar)	0.6485	0.3772	0.2232	0.2885
Balearic Is	(Sp Peseta)	183.25	106.603	63.0808	81.535
Bangladesh	(Taka)	62.85	36.5619	21.6351	27.9644
Barbados	(Barb $)	3.4685	2.0177	1.1939	1.5432
Belgium	(Belg Fr)	59.80	34.7876	20.5851	26.6073
Belize	(B $)	3.4490	2.0063	1.1872	1.5345
Benin	(CFA Fr)	495.75	288.394	170.654	220.578
Bermuda	(Bermudian $)	1.7190	1	0.5917	0.7648
Bhutan	(Ngultrum)	44.41	25.8347	15.2874	19.7597
Bolivia	(Boliviano)	6.3205	3.6768	2.1757	2.8122
Botswana	(Pula)	3.6980	2.1512	1.2729	1.6453
Brazil	(Cruzeiro)	1021.20	594.066	351.532	454.372
Brunei	(Brunei $)	2.9145	1.6954	1.0032	1.2967
Bulgaria	(Lev)	31.014	18.0418	10.676	13.7993
Burkino Faso	(CFA Fr)	495.75	288.394	170.654	220.578
Burma	(Kyat)	10.7238	6.2383	3.6914	4.7714
Burundi	(Burundi Fr)	349.50	203.316	120.31	155.506
Cambodia	(Riel)	1379.60	802.56	474.905	615.838
Cameroon	(CFA Fr)	495.75	288.394	170.654	220.578
Canada	(Canadian $)	1.9385	1.1276	0.6672	0.8625
Canary Is	(Sp Peseta)	183.25	106.603	63.0808	81.535
Cp Verde	(CV Escudo)	128.15	74.5491	44.1155	57.0189
Cayman Is	(CI $)	1.4315	0.8327	0.4927	0.6369
Cent.Afr. Rep	(CFA Fr)	495.75	288.394	170.654	220.578
Chad	(CFA Fr)	495.75	288.394	170.654	220.578
Chile	(Chilean Peso)	619.05	360.122	213.098	275.439
China	(Renminbi Yuan)	9.2497	5.3808	3.184	4.1155
Colombia	(Col Peso)	1162.95	676.527	400.327	517.442
Comoros	(CFA Fr)	495.75	288.394	170.654	220.578
Congo (Brazz)	(CFA Fr)	495.75	288.394	170.654	220.578
Costa Rica	(Colon)	226.00	151.472	77.7969	100.556
Côte d'Ivoire	(CFA Fr)	495.75	288.394	170.654	220.578
Cuba	(Cuban Peso)	1.2911(1)	0.751	0.4444	0.5744
Cyprus	(Cyprus £)	0.8090	0.4706	0.2784	0.3599
Czechoslovakia	(Koruna)	51.44c	29.9243	17.7074	22.8876
		49.61t	28.8598	17.0774	22.0734
Denmark	(Danish Kroner)	11.2250	6.5299	3.864	4.9944
Djibouti Rep	(Djib Fr)	302.00	175.684	103.959	134.372
Dominica	(E Carrib $)	4.6560	2.7085	1.6027	2.0716
Dominican Rep	(D Peso)	22.16	12.8912	7.6282	9.8598
Ecuador	(Sucre)	1928.11o	1121.65	663.721	857.891
		2015.35f	1171.23	693.064	895.818
Egypt	(Egyptian £)	5.70	3.3158	1.9621	2.5361
El Salvador	(Colon)	14.0375	8.166	4.8321	6.2458
Equat'l Guinea	(CFA Fr)	495.75	288.394	170.654	220.578
Ethiopia	(Ethiopian Birr)	3.5412	2.06	1.219	1.5756
Falkland Is	(Falk £)	1.00	0.5817	0.3442	0.4449
Faroe Is	(Danish Kroner)	11.2250	6.5299	3.864	4.9944
Fiji Is	(Fiji $)	2.5309	1.4723	0.8712	1.126
Finland	(Markka)	7.0735	4.1148	2.4349	3.1472
France	(Fr)	9.9150	5.7678	3.413	4.4115
Fr. Cty/Africa	(CFA Fr)	495.75	288.394	170.654	220.578
Fr. Guiana	(Local Fr)	9.9150	5.7678	3.413	4.4115
Fr Pacific Is	(CFP Fr)	178.00	103.549	61.2736	79.1991
Gabon	(CFA Fr)	495.75	288.394	170.654	220.578
Gambia	(Dalasi)	15.6220	9.0878	5.3776	6.9508
Germany	(D-Mark)	2.9050	1.6899	1	1.2925
Ghana	(Cedi)	649.782	378	223.677	289.113
Gibraltar	(Gib £)	1.00	0.5817	0.3442	0.4449
Greece	(Drachma)	323.225	188.031	111.265	143.815
Greenland	(Danish Krone)	11.2250	6.5299	3.864	4.9944
Grenada	(E Carr $)	4.6560	2.7085	1.6027	2.0716
Guadaloupe	(Local Fr)	9.9150	5.7678	3.413	4.4115
Guam	(US $)	1.7190	1	0.5917	0.7648
Guatemala	(Quetzal)	8.8465	5.1463	3.0452	3.9361
Guinea	(Fr)	1400.80	814.892	482.203	623.27
Guinea-Bissau	(Peso)	1120.00	651.542	385.542	498.331
Guyana	(Guyanese $)	209.10	121.64	71.9793	93.0367
Haiti	(Gourde)	8.6225	5	2.9681	3.8364
Honduras	(Lempira)	9.9850	5.8086	3.4371	4.4427
Hong Kong	(HK $)	13.3420	7.7614	4.5927	5.9363
Hungary	(Forint)	129.35	75.2472	44.5266	57.5528
Iceland	(Icelandic Krona)	103.65	60.2966	35.6798	46.1179
India	(Indian Rupee)	44.41	25.8347	15.2874	19.7597
Indonesia	(Rupiah)	3412.40	1985.11	1174.66	1518.31
Iran	(Rial)	115.50	67.1902	39.759	51.3904
Iraq	(Iraqi Dinar)	0.5936	0.3453	0.2043	0.2641
Irish Rep	(Punt)	1.0856	0.6314	0.3736	0.4829
Israel	(Shekel)	4.19	2.4374	1.4423	1.8642
Italy	(Lira)	2173.75	1264.54	748.279	967.186
Jamaica	(Jamaican $)	27.55	16.0267	9.4836	12.258
Japan	(Yen)	224.75	130.745	77.3666	100
Jordan	(Jordanian Dinar)	1.1696	0.6803	0.4026	0.5204
Kenya	(Kenya Shilling)	49.6655	28.892	17.0965	22.0981
Kiribati	(Australian $)	2.1600	1.2565	0.7435	0.961
Korea North	(Won)	1.6730	0.9732	0.5759	0.7443
Korea South	(Won)	1292.13	751.675	444.795	574.919
Kuwait	(Kuwaiti Dinar)	0.4959	0.2884	0.1707	0.2206
Laos	(New Kip)	1207.15	702.24	415.542	537.108
Lebanon	(Lebanese £)	1525.20	887.26	525.026	678.621
Lesotho	(Maluti)	4.8713	2.8337	1.6768	2.1674
Liberia	(Liberian $)	1.7190	1	0.5917	0.7648
Libya	(Libyan Dinar)	0.4905	0.2853	0.1688	0.2182
Liechtenstein	(Swiss Fr)	2.5450	1.4805	0.876	1.1323
Luxembourg	(Lux Fr)	59.80	34.7876	20.5851	26.6075
Macao	(Pataca)	15.8366	8.0491	4.7629	6.1563
Madagascar	(MG Fr)	2226.65	1295.32	766.489	990.723
Madeira	(Port Escudo)	250.00	145.433	86.0585	111.235
Malawi	(Kwacha)	4.82	2.8039	1.6592	2.1446
Malaysia	(Ringgit)	4.7265	2.7495	1.627	2.103
Maldive Is	(Rufiya)	18.1590	10.5636	6.2509	8.0796
Mali Rep	(CFA Fr)	495.75	288.394	170.654	220.578
Malta	(Maltese £)	0.5680	0.3304	0.1955	0.2527
Martinique	(Local Fr)	9.9150	5.7678	3.415	4.4115
Mauritania	(Ouguiya)	147.05	85.5439	50.6196	65.4282
Mauritius	(Maur Rupee)	27.7310	16.132	9.5459	12.3385
Mexico	(Mexican Peso)	5271.23a	3066.46	1814.54	2345.37
		5279.70d	3071.38	1817.45	2349.14
Miquelon	(Local Fr)	9.9150	5.7678	3.413	4.4115
Monaco	(French Fr)	9.9150	5.7678	3.413	4.4115
Mongolia	(Tugrik)	72.4290	42.1343	24.9325	32.2264
Montserrat	(E Carr $)	4.6560	2.7085	1.6027	2.0716
Morocco	(Dirham)	15.08	8.7725	5.191	6.7096
Mozambique	(Metical)	3120.35	1815.21	1074.13	1388.36
Namibia	(S A Rand)	4.8713	2.8337	1.6768	2.1674
Nauru Is	(Australian $)	2.1600	1.2565	0.7435	0.961
Nepal	(Nepalese Rupee)	75.4635	42.7361	25.2886	32.6867
Netherlands	(Guilder)	3.2725	1.9037	1.1265	1.456
N'nd Antilles	(A/Guilder)	3.0870	1.7958	1.0626	1.3735
New Zealand	(NZ $)	3.0358	1.766	1.045	1.3507
Nicaragua	(Gold Cordoba)	8.6225	5.0159	2.9681	3.8364
Niger Rep	(CFA Fr)	495.75	288.394	170.654	220.578
Nigeria	(Naira)	16.90	9.8312	5.8175	7.5194
Norway	(Nor. Krone)	11.3400	6.5968	3.9036	5.0456
Oman	(Rial Omani)	0.6622	0.3852	0.2279	0.2946
Pakistan	(Pak. Rupee)	42.19	24.5433	14.5232	18.7719
Panama	(Balboa)	1.7190	1	0.5917	0.7648
Papua New Guinea	(Kina)	1.6217	0.9433	0.5582	0.7215
Paraguay	(Guarani)	2255.65	1312.19	776.472	1003.63
Peru	(New Sol)	1.5565	0.9054	0.5358	0.6925
Philippines	(Peso)	45.2025	26.2958	15.5602	20.1123
Pitcairn Is	(£ Sterling)	1.00	0.5817	0.3442	0.4449
	(NZ $)	3.0358	1.766	1.045	1.3507
Poland	(Zloty)	19220.0	11180.9	6616.18	8551.72
Portugal	(Escudo)	250.00	145.433	86.0585	111.235
Puerto Rico	(US $)	1.7190	1	0.5917	0.7648
Qatar	(Riyal)	6.2608	3.6421	2.1551	2.7856
Reunion Is. de la	(F Fr)	9.9150	5.7678	3.415	4.4115
Romania	(Leu)	103.06	59.9534	35.4767	45.8553
Rwanda	(Fr)	216.45	125.916	74.5094	96.307
St Christopher	(E Carr $)	4.6560	2.7085	1.6027	2.0716
St Helena	(£)	1.00	0.5817	0.3442	0.4449
St Lucia	(E Carr $)	4.6560	2.7085	1.6027	2.0716
St Pierre	(French Fr)	9.9150	5.7678	3.415	4.4115
St Vincent	(E Carr $)	4.6560	2.7085	1.6027	2.0716
San Marino	(Italian Lira)	2173.75	1264.54	748.279	967.186
Sao Tome	(Dobra)	413.88	240.768	142.472	184.151
Saudi Arabia	(Riyal)	6.4510	3.7527	2.2206	2.8703
Senegal	(CFA Fr)	495.75	288.394	170.654	220.578
Seychelles	(Rupee)	9.092	5.2891	3.1297	4.0453
Sierra Leone	(Leone)	663.95	386.242	228.554	295.417
Singapore	($)	2.9145	1.6954	1.0032	1.2967
Solomon Is	($)	4.7397	2.7572	1.6315	2.1088
Somali Rep	(Shilling)	4518.20	2628.39	1555.32	2010.32
South Africa	(Rand)	4.8713c	2.8337	1.6768	2.1674
		5.3558q	3.1156	1.8436	2.383
Spain	(Peseta)	183.25	106.603	63.0808	81.535
Spanish Ports in N Africa	(Sp Peseta)	183.25	106.603	63.0808	81.535
Sri Lanka	(Rupee)	72.35	42.0884	24.9053	32.1913
Sudan Rep	(£)	25.8675	15.0479	8.9044	11.5094
Surinam	(Guilder)	3.0780	1.7905	1.0595	1.3695
Swaziland	(Lilangeni)	4.8713	2.8337	1.6768	2.1674
Sweden	(Krona)	10.5425	6.1329	3.629	4.6907
Switzerland	(Fr)	2.5450	1.4805	0.876	1.1323
Syria	(£)	36.2145	21.0671	12.4662	16.1132
Taiwan	($)	45.75	26.6143	15.7487	20.3559
Tanzania	(Shilling)	394.55	229.523	135.818	175.581
Thailand	(Baht)	43.91	25.5439	15.1153	19.5372
Togo Rep	(CFA Fr)	495.75	288.394	170.654	220.578
Tonga Is	(Pa Anga)	2.1600	1.2565	0.7435	0.961
Trinidad/Tobago	($)	7.3290	4.2635	2.5228	3.2609
Tunisia	(Dinar)	1.6325	0.9496	0.5619	0.7263
Turkey	(Lira)	8349.79	4857.35	2874.28	3715.15
Turks & Caicos	(US $)	1.7190	1	0.5917	0.7648
Tuvalu	(Australian $)	2.1600	1.2565	0.7435	0.961
Uganda	(New Shilling)	1571.70	914.311	541.033	699.31
UAE	(Dirham)	6.3170	3.6748	2.1745	2.8106
United Kingdom	(£)	1.00	0.5817	0.3442	0.4449
United States	(US $)	1.7190	1	0.5917	0.7648
Uruguay	(Peso)	3930.15	2286.3	1352.89	1748.68
USSR	(Rouble)	1.0054o	0.5848	0.346	0.4475
		3.0162c	1.7546	1.0382	1.342
Vanuatu	(Vatu)	193.10	112.333	66.4716	85.9176
Vatican	(Lira)	2173.75	1264.54	748.279	967.186
Venezuela	(Bolivar)	98.55	57.3298	33.9242	43.8487
Vietnam	(Dong)	19400.60	11286	6678.35	8632.08
Virgin Is-British	(US $)	1.7190	1	0.5917	0.7648
Virgin Is-US	(US $)	1.7190	1	0.5917	0.7648
Western Samoa	(Tala)	4.1020	2.3862	1.412	1.8251
Yemen (Rep of)	(Rial)	20.8665	12.1387	7.1829	9.2843
Yemen (Rep of)	(Dinar)	0.7950	0.4624	0.2736	0.3537
Yugoslavia	(Dinar)	37.9925	22.1015	13.0783	16.9043
Zaire Rep	(Zaire)	37431.0	21774.9	12885	16654.5
Zambia	(Kwacha)	131.75	76.6433	45.3528	58.6206
Zimbabwe	($)	8.6915	5.0561	2.9919	3.8671

Special Drawing Rights October 18, 1991 United Kingdom £0.793227 United States $1.36197 Germany D Mark N/A Japan Yen176.035
European Currency Unit Rates October 21, 1991 United Kingdom £0.704213 United States $1.21371 Germany D Mark 2.04692 Japan Yen158.389

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate, (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
(1) Due to incorrect data the Cuban Peso has been in error Since Sept.2
Monday, October 21, 1991

INTERNATIONAL CAPITAL MARKETS

Treasuries slide on fears of shift in economic policy

By **Patrick Harverson** in New York and **Sara Webb** in London

CONCERN that monetary policy may have to be put on hold if the Bush administration cuts taxes as part of a fiscal policy growth package left US Treasury prices weaker across the board yesterday morning.

By midday, the benchmark 30-year government bond was down ⅜ at 101$\frac{1}{16}$, yielding 8.024 per cent. The two-year note was also weaker, down $\frac{1}{16}$ at 100$\frac{5}{32}$, to carry a yield of 5.932 per cent. Trading activity was reported to be light.

The market opened the week in an unhappy mood, still troubled by last week's unexpectedly high September consumer inflation figure and worried that President Bush may be considering tax cuts as an *alternative to interest rate* reductions as a means of stimulating the flagging economy.

Bonds have been bought heavily in the past few weeks in expectation of another easing of monetary policy by the Federal Reserve. The inflation news, and rumours of tax cuts, have dampened hopes for an interest rate cut and, in the process, wiped out most of the market's recent gains. Although the Fed may still decide to ease, analysts now expect the authorities to delay *any action until after the* employment report for October is published next week.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.4627	+0.336	10.01	9.96	10.59
BELGIUM		9.000	08/01	99.5000	-0.050	9.07	9.08	9.18
CANADA *		9.750	12/01	104.8500	+0.100	9.01	9.03	9.39
DENMARK		8.000	11/00	100.9750	+0.200	8.83	8.93	9.15
FRANCE	STAN	8.500	11/96	98.3826	-0.155	8.90	8.95	9.02
	OAT	8.500	01/01	104.4800	-0.230	8.76	8.78	8.86
GERMANY		8.750	08/01	102.8600	-0.320	8.31	8.25	8.44
ITALY		12.500	03/01	100.8700	-0.200	12.71	12.81	12.94
JAPAN	No 118	4.800	06/99	93.0622	+0.050	6.13	6.29	6.37
	No 120	6.400	03/00	103.3934	-0.001	5.80	5.99	6.04
NETHERLANDS		8.500	03/01	98.4300	-0.330	8.74	8.70	8.00
SPAIN		11.900	07/96	101.1800	-0.070	11.51	11.56	11.35
UK GILTS		10.000	11/96	100-10	-12/32	9.85	9.77	9.60
		10.000	02/01	100-24	-14/32	9.87	9.76	9.52
		0.000	10/08	94-20	-20/32	8.65	9.52	9.30
US TREASURY *		7.875	08/01	102-03	-12/32	7.57	7.48	7.57
		8.125	08/21	101-05	-22/32	8.02	7.87	7.88

London closing. *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ JAPANESE government bonds reached new highs in Tokyo, helped by a sharp fall in short-term interest rates.

The unsecured overnight call rate was mostly traded at 6¾ per cent, but moved as low as 6$\frac{5}{16}$ per cent, *down from 6$\frac{11}{16}$* on Friday. Three-month certificates of deposit traded at around 6.35 per cent, down from 6.38 per cent.

Despite some light profit-taking, the yield on the benchmark No 129 JGB closed at 5.76 per cent from its opening of 5.795 per cent, marking a new high since the beginning of 1990. The December futures *contract closed* at 100.56 after reaching a high of 100.69.

However, the weakness of the US Treasury bond market and further profit-taking in London led to a fall in JGB prices outside Tokyo trading hours, with the yield on the No 129 moving to 5.795 per cent.

The announcement that Japan's money supply growth fell to 2.2 per cent in September – a record low – led to some speculation that the Bank of Japan may soon cut the official discount rate. The 2.2 per cent growth figure in September represented the third consecutive month of year-on-year declines in growth.

■ *UK government bonds fell* back over half a point, after an opinion poll at the weekend showed the Labour party with a strong lead over the Conservatives.

The market was also disappointed by the provisional retail sales figures for September, released yesterday, showing the volume of sales unchanged from August. City *forecasters had expected* September sales to rise by 0.2 per cent.

Medium and long-dated gilts suffered the heaviest falls in price, with the 11¾ per cent gilt due 2003/07 tumbling from its opening price of 112$\frac{13}{16}$ to 112⅜. The 10 per cent gilt due 1993 slipped from its opening of 100$\frac{13}{16}$ to 100$\frac{5}{8}$.

■ The main European government bond markets, including Germany, France and Holland, slipped back yesterday, taking their cue from the weakness of the US Treasury bond market.

The Liffe bund futures contract opened up on Friday's close at 86.37, and traded up to a high of 86.41, but gradually *fell back to trade at around* 85.95 by late afternoon.

Swiss Volksbank up 54% after tax

SWISS Volksbank, Switzerland's fourth biggest commercial bank, yesterday reported a 54 per cent increase *to SFr176m (US$119m) in earnings* after taxes but before loss provisions during the first nine months, writes William Dullforce in Geneva.

No net profit was disclosed for the first three quarters, or forecast for 1991 as a whole. However, Mr Rolf Beeler, executive vice-president, said loss provisions could rise as much as 80 per cent above the SFr125m set aside last year.

Third-quarter earnings before taxes, *depreciation* and provisions were SFr257m, ahead by 30 per cent over last time. Performance during the third quarter, although better than last time, had been less favourable than the two previous quarters of 1991.

Although net interest income rose 8.5 per cent in the nine months, renewed strains on short-term interest rates during the third quarter had led to tighter margins. Money *market operations* in Switzerland and overseas continued to make contributions to income.

Results from commission business matched those of the first nine months of 1990. Income from trading operations grew 92 per cent, due mainly to the bank's trading in securities.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on October 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103	103¼		6.50
ALBERTA PROVINCE 9 3/8 95	600	107	107⅜	-⅛	7.30
AUSTRIA 8 1/2 00	400	102¼	102⅜	-½	8.06
BANK OF TOKYO 8 3/8 96	100	102¼	102⅝	+⅛	7.74
BELGIUM 9 5/8 98	250	108⅝	109⅛	-⅛	7.91
BFCE 7 3/4 97	150	101¼	101⅝	+⅛	7.47
BNP 8 5/8 94	300	104½	104⅞		6.78
BP CAPITAL 9 5/8 93	150	103½	104¼		6.54
CANADA 9 96	1000	106⅜	106⅝		7.15
CARCO 9 1/4 96	650	103⅞	104½	+½	8.32
CCCE 9 1/4 95	300	106⅛	106⅜	-⅛	7.03
COUNCIL EUROPE 8 96	100	102⅞	103¼	+½	7.32
CREDIT FONCIER 9 1/2 99	300	108⅛	108⅜	-⅛	7.96
DENMARK 8 1/4 99	150	103⅞	104¼		6.78
ECSC 8 1/4 96	193	103⅞	104⅜	+⅛	7.31
EEC 7 1/4 93	250	100⅞	101¼	-⅛	6.52
EIB 7 3/4 96	250	102⅛	102⅝	+⅛	7.19
EIB 9 1/4 97	1000	107½	107⅞	-⅛	7.65
ELEC DE FRANCE 9 98	200	106⅛	106½		7.73
EUROFIMA 9 1/4 96	100	106	106⅜	-⅛	7.57
EXPORT DEV CORP 9 1/2 98	150	108¼	108⅝	-⅛	7.86
FINLAND 7 7/8 97	200	101½	101⅞	+⅛	7.59
FINNISH EXPORT 9 3/8 95	200	107⅛	107½	+⅛	7.26
FORD MOTOR CREDIT 9 1/2 93	300	103⅛	103⅜	-⅛	7.69
GEN ELEC CAPITAL 9 3/8 96	300	106½	107		7.63
GMAC 9 1/8 96	200	104⅛	104⅝	+⅛	7.95
HALIFAX 9 1/2 93	200	104⅛	104⅜		6.68
IBM WORLD TRADE 7 5/8 93	150	100⅞	101¼	-⅛	7.21
IND BK JAPAN FIN 7 7/8 97	200	99⅞	100⅜	+⅛	7.89
INTER AMER DEV 7 5/8 96	200	100⅛	100⅜	-⅛	7.52
ITALY 8 1/2 94	1500	104⅛	104⅜		6.71
JAPAN DEV BK 8 94	150	103	103½		6.67
KANSAI ELEC PWR 10 96	350	108⅜	109⅛	-⅛	7.68
LTCB 8 5/8 93	150	102¼	102⅝	-⅛	6.82
NEW ZEALAND 8 93	100	102½	102⅞	+⅛	6.57
NIPPON CRED BK 9 3/4 93	150	105	105⅜	+⅛	6.95
NIPPON TEL & TEL 9 3/8 95	200	105⅝	106⅛	-⅛	7.48
NORDIC INV BANK 9 95	200	102⅛	102⅝	-1½	7.34
ONTARIO HYDRO 11 5/8 94	200	109⅞	110⅛	-⅛	7.09
OSTER KONTROLLBANK 8 1/8 93	200	102½	102⅞		6.17
PETRO-CANADA 7 1/4 96	200	99⅞	100⅜	+⅛	7.30
QUEBEC HYDRO 9 3/4 98	150	107⅞	108⅛	-⅛	8.23
QUEBEC PROV 9 98	200	103⅞	104⅛	-⅛	8.19
SAINSBURY 9 1/8 96	150	105½	106¼		7.74
SAS 10 99	200	105	106½	+⅛	9.02
SBAB 9 1/2 95	500	106⅛	107⅛	+⅛	7.28
STATE BK STH AUST 9 1/4 93	100	103⅛	103⅝		6.52
SUMITOMO BK CAP MKT 9 3/8 93	150	103⅞	104½	-⅛	7.29
SWEDEN 8 1/8 94	150	103⅞	104⅛	+⅛	6.65
SWEDISH EXPORT 9 5/8 93	100	104	104⅜		6.38
TOKYO METROPOLIS 8 1/4 96	200	103⅛	103⅜	+⅛	7.45
WORLD BANK 8 3/8 99	1500	103⅞	104	-⅛	7.86
WORLD BANK 8 3/4 97	1500	106⅛	106½		7.42
XEROX CORPN 8 3/8 96	100	100⅞	101½		8.27

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 93	200	101	101	-½	10.79
BULGARIAN TRADE BK 8 1/2 96	200	87¼	87¼	+1¼	12.17
DEUTSCHE FINANCE 7 1/2 93	1000	98	98	+⅛	8.20
EIB 5 3/4 98	400	88¼	88¼	+⅛	8.18
EIB 6 7/8 95	300	95⅛	95⅛	+⅛	8.18
EUROFIMA 6 1/4 98	400	90	90	-⅛	8.23
FERRO DEL STAT 5 3/8 93	500	96	96	+⅛	8.91
FIRST INTERSTATE 5 3/4 96	100	83¼	84¼	+⅛	10.40
IND BK JAPAN FIN 5 5/8 96	200	88¼	88¼		8.88
IND DEV BK INDIA 6 3/8 94	200	88¼	88¼	+⅛	10.94
LUFTHANSA INT FIN 5 7/8 98	500	87¼	87¼	-⅛	8.50
NACIONAL FINANCIERA 11 95	150	101	101		10.62
NAT BK HUNGARY 8 96	200	91	91	+⅛	10.38
QUEBEC HYDRO 6 3/4 99	300	90⅛	90⅛	+⅛	8.54
SWEDEN 6 1/8 98	300	89⅛	89⅛		8.35
VENEZUELA 8 1/4 93	100	96⅛	96⅛	+⅛	10.06
WORLD BANK 0 15	2000	18	18	+⅛	7.35
WORLD BANK 5 3/4 96	300	90⅝	90⅝	-⅛	8.37
WORLD BANK 7 1/8 95	500	97⅛	97⅛	+⅛	8.06

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	87	87½	-1	7.28
AUSTRIA 4 5/8 98	100	88	88½		7.04
CHUBU ELEC POWER 6 3/4 01	300	99½	99¾		6.82
COUNCIL EUROPE 4 3/4 90	250	87½	88	+½	7.28
EEC 5 1/2 00	100	89½	90		7.18
EIB 6 1/2 98	400	98	98¼		6.87
ELEC DE FRANCE 7 1/4 06	100	101¼	102½		7.07
FINLAND 5 3/8 95	150	94½	95	-¼	7.06
GENERAL MOTORS 7 1/2 95	100	100	101		7.48
JAPAN DEV BK 5 1/2 94	100	96	96½	+¼	7.43
KOBE 6 3/8 01	240	96½	97		6.87
NEW ZEALAND 4 7/8 99	200	85½	86		7.52
QUEBEC HYDRO 5 08	100	76½	77½		7.54
WORLD BANK 5 03	150	84½	85	-¼	7.00
WORLD BANK 7 01	600	101⅝	101⅞	-¼	6.75

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97½	98	+⅛	5.84
CREDIT FONCIER 5 1/4 94	20000	97⅞	98⅛	+⅛	6.00
DENMARK 7 95	40000	103⅛	103⅜	+⅛	5.91
EIB 4 5/8 94	40000	97⅛	97⅜		5.86
FINLAND 6 3/4 96	50000	102⅞	103	+⅛	6.01
GENERAL ELECTRIC 5 3/4 93	35000	99½	99⅞	+⅛	6.18
INTER AMER DEV 7 1/4 00	30000	100⅞	109	+⅛	5.91
KANSAI ELEC PWR 4 5/8 94	60000	96⅛	96⅜	-⅛	6.09
NIPPON TEL & TEL 5 7/8 96	50000	99⅝	99⅞		5.96
NORWAY 5 1/8 93	50000	97⅝	97⅞		5.89
SNCF 6 3/4 00	30000	105⅛	106	+⅛	5.85
SWEDEN 5 5/8 95	20000	98⅞	99⅛		5.99
WORLD BANK 6 3/4 00	30000	105⅛	106	+⅛	5.86

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.56
KREDIETCORP 7 93 LFr	1000	95⅛	96⅛	-⅛	9.74
WORLD BANK 8 96 LFr	1000	96½	97½	+⅛	8.95
BCE INC 9 5/8 93 C$	300	101⅛	101⅝		8.73
BELL CANADA 10 5/8 99 C$	150	104⅞	105⅛		9.71
BRITISH COLUMBIA 9 1/4 93 C$	150	100⅝	101⅛	-⅛	8.67
EIB 10 1/8 98 C$	130	103⅛	105⅜	+⅛	9.40
ELEC DE FRANCE 9 3/4 99 C$	275	101⅞	102⅛	+⅛	9.42
FORD CREDIT CANADA 10 94 C$	100	102⅝	103⅛	+½	8.88
GENERAL ELECT CAP 10 1/4 93 C$	175	103	103½	+⅛	8.50
ONTARIO HYDRO 10 7/8 99 C$	500	105⅛	106⅛	+⅛	9.71
OSTER KONTROLLBANK 10 1/4 99 C$	150	104½	105	+⅛	9.39
QUEBEC PROV 10 1/2 98 C$	200	105⅞	104⅜	+⅛	9.71
ROYAL TRUSTCO 10 1/4 93 C$	100	100⅞	101⅞	+⅛	9.56
SWEDEN 9 3/4 93 C$	250	101½	102⅛	-⅛	8.60
BELGIUM 9 1/8 96 Ecu	1250	100⅞	101		8.85
CNT 7 3/8 93 Ecu	250	96	97		10.02
CREDIT LYONNAIS 9 96 Ecu	125	98½	100	+⅛	9.39
DENMARK 7 5/8 96 Ecu	250	92⅝	93⅛	+⅛	9.77
EEC 7 5/8 94 Ecu	200	97	97½		9.06
EIB 10 97 Ecu	1125	105½	105⅞	+⅛	8.67
ITALY 10 3/4 00 Ecu	1000	110⅛	110⅜	+⅛	8.98
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅞	102	-⅛	8.81
BP AMERICA 12 1/4 96 A$	100	106⅝	107⅛	+⅛	10.25
COMM BK AUSTRALIA 13 3/4 99 A$	100	116⅜	116⅞	+⅛	10.58
COUNCIL EUROPE 13 93 A$	50	102⅛	102⅝	-⅛	11.10
EKSPORTFINANS 12 3/8 93 A$	75	107⅛	107⅝	+⅛	9.89
FORD CRED AUST 13 93 A$	50	102⅛	102⅝		11.13
MCDONALDS CANADA 15 95 A$	100	113⅛	114		10.36
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅛	109⅝		10.06
STATE BK NSW 14 1/4 99 A$	100	116⅜	116⅞	+⅛	11.04
VOLKSWAGEN INTL 15 94 A$	100	109⅞	110⅜		10.24
ABBEY NATL TREAS 13 3/8 95 £	100	107⅜	107⅞	-⅛	10.59
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99⅜		10.28
BRITISH GAS 12 3/4 95 £	300	106⅜	106⅞	-⅛	10.33
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅝		10.17
EIB 10 97 £	386.5	99⅛	99⅝	-⅛	10.13
FORD CREDIT FUNDING 9 5/8 93 £	50	98⅛	98⅝	-⅛	10.97
INTER AMER DEV 11 3/8 95 £	75	103⅛	103⅝	-⅛	10.21
ITALY 10 1/2 14 £	400	98	98½	-⅛	10.72
LAND SECS 9 1/2 07 £	200	83⅞	84⅜	-½	11.79
LEEDS PERMANENT 9 1/4 93 £	50	98	98½		10.59
NORWAY 10 1/2 94 £	200	100⅞	101⅜		10.07
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98⅝		10.82
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.67
SKANDINAVISKA ENSK 13 1/8 93 £	100	106⅛	106⅝		10.79
WORLD BANK 11 1/4 93 £	100	103⅛	103⅝	+⅛	10.12
ABBEY NATIONAL 0 96 NZ$	100	63⅛	64⅜	-⅛	9.65
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	107⅝	108⅛	+⅛	8.62
AIDC 7 7/8 93 FFr	600	97⅛	97⅝		9.33
EURATOM 7 5/8 90 FFr	500	93⅛	94⅛		9.00

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.17	100.27	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.54	99.64	11.2050
BANCO ROMA 0.03 01	200	91.54	92.54	6.4875
BANCO SANTO SPIRITO 93	200	99.59	99.70	5.6250
BELGIUM 1/16 97 DM	500	99.89	99.94	9.5000
BFCE -0.02 96	350	100.00	100.10	6.1050
BNP 05	300	96.21	97.18	5.5625
BRITANNIA 1/10 96 £	150	99.22	99.42	11.2250
CITIZENS FED 0.15 96	100	99.42	99.92	5.9625
COMMERZBK O/S FIN 93	200	99.99	100.10	5.5050
DENMARK -1/8 96	1000	99.73	99.83	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	99.99	9.2813
ELEC DE FRANCE 1/8 99	400	100.46	101.46	6.0625
FERRO DEL STAT 94	200	100.71	100.96	5.9375
HALIFAX 1/10 94 £	200	99.98	100.08	11.1000
IRELAND 98	300	99.52	99.62	6.4400
ITALY 00	300	100.70	100.80	6.3750
MITSUI FIN ASIA 1/8 96	100	99.46	99.56	5.9375
MORGAN (JP) 1/4 97	250	98.14	98.89	6.0000
NAT WEST FIN 3/16 05	400	91.51	92.51	6.5000
NEW ZEALAND 93	500	99.99	100.10	5.7500
RENFE 98	500	99.88	99.98	6.0625
SOCIETE GENERALE 96	300	99.37	99.47	5.6250
STATE BK VICTORIA 0.05 99	125	98.37	98.62	6.4875
UNITED KINGDOM -1/8 96	4000	99.97	100.00	5.2500

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	116⅛	117⅛	+30.57
BURTON GROUP 4 3/4 01 £	110	2.38	124	126	
CHUBB CAPITAL 6 98	250	86	98¼	99¼	+30.65
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	101⅛	102⅛	+12.92
EASTMAN KODAK 6 3/8 01	300	50.67	99⅛	100⅛	+10.22
GOLD KALGOORLIE 7 1/2 00	65	1.0554	72½	73½	+47.42
HANSON 9 1/2 06 £	500	2.9875	100⅞	101⅞	+18.37
HAWLEY 6 02 PREF	400	19.1	84⅛	87⅛	
HILLSDOWN 4 1/2 02 £	150	4.16	114	115	
LASMO 7 3/4 05 £	90	5.64	79⅛	80⅛	+42.67
MITSUI BANK 2 5/8 03	200	2337½	102	104	+18.08
MOUNT ISA FIN 6 1/2 97	100	2.283	87½	88½	+15.82
OGDEN 6 02	85	39.077	73⅛	74⅛	+49.28
SMITH & NEPHEW 4 02 £	90	1.725	117	118	+64.17
SUMITOMO BANK 3 1/8 04	300	3606.9	81⅛	82⅛	+19.29
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	86⅛	87⅛	
THORN EMI 5 3/4 04 £	103	7.45	117⅛	118⅛	+9.17

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Firm demand for $200m Yokahama 10-year deal

By Tracy Corrigan

ONLY a handful of deals emerged in the Eurobond market yesterday, as banks concentrated on distributing unplaced paper which had accumulated over the last week or so.

The City of Yokahama brought a $200m 10-year deal, guaranteed by the Japanese government. The bonds were considered reasonably priced to offer a spread of 45 basis points above the US Treasury, and dealers reported firm demand from investors in the Far East.

With many outstanding bonds trading at substantial premiums to par, there remains a healthy appetite for bonds trading around par or below.

INTERNATIONAL BONDS

Demand for relatively high yielding markets remains firm, and deals in Australian dollars and lire fared well. Investors are keen to buy in markets where they can expect to make capital gains, even though yields margins over other markets have shrunk.

Tasmanian Public Finance Corporation's A$75m deal met firm demand, particularly from German retail investors, to trade at less 1½ bid, well within fees of 2⅛ points.

A L150m issue of seven-year bonds for an arm of Deutsche Bank also sold well to European retail investors.

Meanwhile, rumours that Sweden is preparing to tap the Canadian dollar sector of the Eurobond market proved unfounded. Sweden, which has repaid close to $3bn of its foreign currency debt so far this year, will not be borrowing in the international capital markets, at least for the remainder of the year, an official said.

The Swedish government is currently fulfilling its financing needs in the domestic market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
City of Yokohama(a)†	200	8	99.25	2001	0.325/⅛	Bank of Tokyo
Dong-A(b)§†	25	3½	100	2000	2½/1½	Baring Bros /Daishin
AUSTRALIAN DOLLARS						
Tasmanian Public Fin Corp(a)‡	75	12¾	99.65	2001	2⅛/1⅝	Deutsche Bk Cap Mkts
SWISS FRANCS						
JFM(c)†	100	[illegible]	101¼	1998	-	SBC
LIRE						
Deutsche Bk Finance(a)†	150bn	11½	101½	1998	1⅞/1¼	Bca.D'America e D'Italia

‡‡Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable b) Amount increased from $20m. Coupon was indicated at 3¼-3½%. Put option after 5 years at 123.025% to yield 7⅛%. Conversion premium fixed at 23.21%. c) Full name of borrower - Japan Finance Corp for Municipal Enterprises. Non-callable.

Bombardier to raise C$97m in Class B issue

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian transport equipment and aerospace group that owns Short Brothers of Belfast, is raising C$97m (US$85.8m) net in new equity through a private placement of 4m new class B subordinate shares at C$25¼ each.

The issue has been fully taken up by a syndicate led by Scotia McLeod for distribution mainly to institutions. The B stock has risen in the market from about C$15 a share earlier this year to C$27 at last Friday's close.

Bombardier's Canadair aerospace division last week signed nearly C$900m of orders for regional jets and updated water bombers. Total transit equipment and aerospace order backlog is valued at C$9bn.

Investors doubt worth of currency hedging

By Simon London

MOST institutional shareholders believe companies which hedge their foreign exchange exposures are wasting their time, according to a survey by Touche Ross, the accountancy firm.

The survey was conducted by the treasury management team at Touche Ross and covered fund managers accounting for 32 per cent of the UK equity market. The team found that most institutional investors believed:

- that foreign currency exposures arising from overseas earnings should not be hedged using futures and options or other techniques. The fund managers said they preferred to make their own decisions about these risks when investing in a company.

However, the investors thought companies should borrow in foreign currencies to match overseas assets. This minimises the translation effect when overseas assets and liabilities are consolidated into the parent company's sterling balance sheet;

- annual reports do not provide sufficient information about currency hedging activities;
- treasury departments of UK companies should be seen as cost or service centres, rather than as profit centres.

Earlier this year Allied Lyons, the UK foods group, revealed a £150m loss from failed foreign exchange hedging operations. The company's losses sparked a debate over the effect and control of corporate treasury operations.

On the road to reform in Cairo's markets

Tony Walker examines measures designed to breathe life into Egypt's trading centres

Tucked away behind Cairo's traffic-clogged Kasr el-Nil street stands the city's stock exchange, an elegant white-pillared French colonial-style building that was the scene of hectic trading earlier this century when Egypt's stock exchanges were among the busiest in the world.

These days, a dissatisfied investor could fire a shotgun at the trading floor of the Cairo Stock Exchange without causing too much disruption, since little business is being transacted in the 50 or so shares listed. In the first week of October, the volume of trading reached just $8m, down 18 per cent on the week before.

The world stock market crash of 1987 caused few ripples in the Cairo and Alexandria bourses, which parted company with the world's financial centres after the 1952 revolution and the socialist era of Gamal Abdel Nasser.

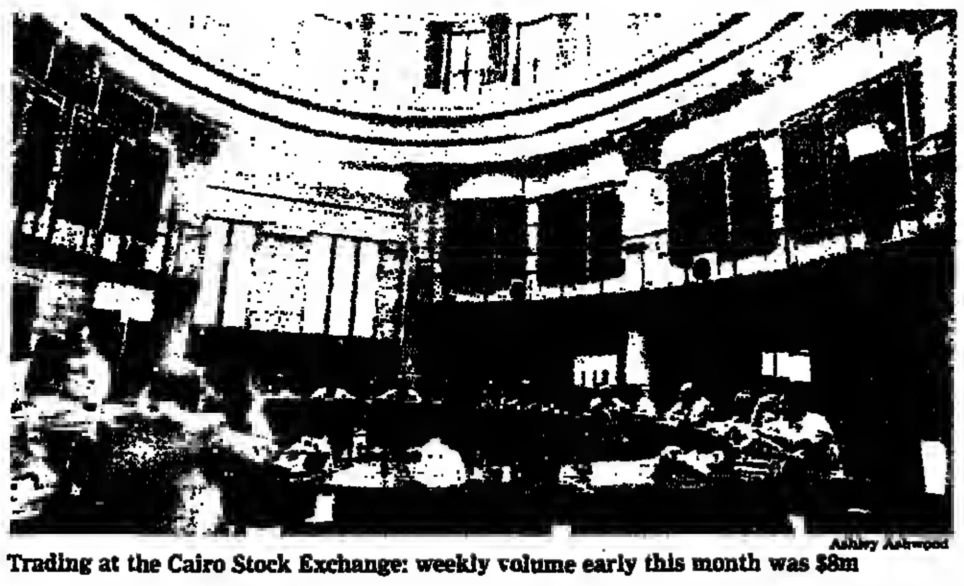
However, all that may be about to change if the World Bank and aid donors such as the US Agency for International Development (USAID) have their way. Among the bank's most important proposals for changes to Egypt's economy is the revitalisation of its capital markets.

In early October, the bank presented Egypt with a detailed securities market study, intended as a blueprint for a far-reaching overhaul of the country's moribund financial markets.

There are hopes that donors such as USAID will match what the bank has spent on the computer technology necessary for the operation of an active stock market, as well as training for Egypt's supervisory Capital Market Authority. It also wants help with new laws and regulations, and assistance in the development of such instruments as mutual funds to encourage the return of the small investor to the market.

All this is part of a wider $300m World Bank structural adjustment programme aimed at liberalising Egypt's state-dominated economy, and paving the way for a genuine process of divestiture. Breathing new life into the capital markets is, of course, integral to this process.

One of the most urgent requirements is for new tax laws to remove discrimination against investments in equities and other such securities. At present, bank deposits and interest income are exempt from all forms of taxation, whereas investments in stocks and bonds attract a variety of taxes.



Ashley Ashwood

Trading at the Cairo Stock Exchange: weekly volume early this month was $8m

With interest rates on Egyptian pound deposits close to 20 per cent, investors would have little incentive to switch to riskier – and taxed – equities and securities.

"We cannot really privatise without a new capital market law that equates investment with savings from a tax point of view," says Ahmed Foda, head of the Cairo-based Investments and Securities Group.

Mr Foda, whose ISG is planning to launch a $50m offshore Egypt Growth Fund in 1992, says it is vital that Egypt establishes a framework for the operation of financial intermediaries. "Without the active presence in the market of investment and merchant banking firms, mutual funds and other similar institutions, you can't have a viable market," he says.

One of the main impediments to reform is a critical lack of expertise in an Egyptian bureaucracy which has little experience with a market economy, let alone the technical problems associated with the operations of relatively sophisticated financial markets in the computerised era.

Farid Saad, chairman of Egyptian Finance Company, says the government should set up the "structures" and then allow the private sector to get on with the job.

Apart from tax problems and lack of financial intermediaries, Mr Saad says exchange controls on the repatriation of proceeds of asset sales, corporate regulations that require at least 10 per cent of net profits go to employees regardless of the amount distributed to shareholders, and prohibitive transaction costs are a further burden.

Egyptian brokers charge mandatory commissions whatever the size of the transaction, at a rate of 1 per cent for equities (0.5 per cent on both the buy and sell side of each transaction), and 0.4 per cent for debt securities. There is no sliding scale, and certainly no such thing as negotiated commissions.

The remaining 16 brokers ara relics. If the market is revived, however, their licenses are likely to become valuable commodities in themselves.

Fag el-Nour, chairman of the Capital Market Authority, seems committed to reform. He said recently a re-vitalised stock market was "one of the pivots of economic reform", both as a means of encouraging small investors to participate in a free market economy and for capital-starved companies to raise additional funds.

However, as Mr Saad observes, while the road to capital market reform in Egypt has long been paved with good intentions, the necessary detailed technical steps have not been forthcoming. Furthermore, capital markets can only take root, he says, in a flourishing private-sector oriented economy.

Overseas investment in Japanese bonds declines

FOREIGNERS trimmed their continuing monthly investment in Japanese bonds by taking profits during September. However, several classes of local investors entered the market, according to a private monthly report, AP-DJ reports from Tokyo.

As short-term interest rates started falling sharply and the yen rallied, Japanese long-term credit and trust banks, credit associations, other financial institutions and commercial companies started to invest in bonds after selling them in the run-up to August. Insurance companies markedly stepped up their investment, the report by the Japan Securities Dealers Association indicated.

Large and regional commercial banks continued to unload bonds, and overall monthly investment shrank. New investment curbed the outflow, however.

Polish confectioner shares on offer

By Christopher Bobinski in Warsaw

THE POLISH government is today offering to the public 640,000 shares worth Zl 83.2bn (US$74,696) in Wedel, the confectionery company.

This is the first time in Poland that shares are being sold to the public after a Western investor has already taken a stake. PepsiCo, the US drinks and snacks group, has already purchased 40 per cent of the stock.

PepsiCo paid US$19.5 per share. Another 20 per cent of the shares are being offered to the Wedel workforce, while the government is retaining 20 per cent to control the execution of a management contract between Wedel and PepsiCo.

One third of the Wedel issue is in preference shares, and each gives its owner five votes at the company's general meetings. All the preference shares are held by PepsiCo.

The US company is committed to an investment programme, worth US$56.2m, which is designed to increase Wedel's capital. PepsiCo will end up with 67 per cent of the stock.

- THE Polish Brokers Company has become the first to offer a money-broking service to Polish private and state-owned banks, the company announced yesterday.

The company is wholly-owned by the Polish Investment Company, and employs four people.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 21 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Oct 18 Index No.	Thu Oct 17 Index No.	Wed Oct 16 Index No.	Year ago (approx) Index No.
1–59	[illegible]									
61 FINANCIAL GROUP (91)	791.18	-0.6	-	5.91	-	31.43	797.96	796.19	802.52	687.66
62 Banks (9)	937.77	-0.4	4.44	5.69	42.55	37.46	941.92	937.17	956.57	735.79
65 Insurance (Life) (7)	1456.88	-1.5	-	5.81	-	63.68	1478.64	1474.43	1466.49	1290.22
66 Insurance (Composite) (6)	596.18	-1.6	-	7.36	-	30.72	606.17	598.36	594.61	583.40
67 Insurance (Brokers) (9)	1120.45	-0.8	7.33	6.05	17.86	43.14	1129.20	1124.08	1139.58	846.79
68 Merchant Banks (7)	476.08	+0.1	-	4.43	-	13.08	475.68	471.53	470.13	346.02
69 Property (36)	893.27	-1.1	6.12	5.21	23.15	23.78	903.36	920.63	922.53	930.91
70 Other Financial (17)	261.06	-0.3	10.97	7.04	11.44	10.86	261.72	261.95	261.00	244.90
71 Investment Trusts (70)	1231.28	-0.4	-	3.51	-	27.02	1235.99	1231.48	1229.64	1006.85
99 ALL-SHARE INDEX (661)	1242.46	-0.8	-	4.78	-	36.63	1252.83	1248.19	1242.78	1015.13

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Year ago
FT-SE 100 SHARE INDEX‡	2142.3	-2.0	2167.6	[illegible]	2144.3	2147.0	2122.9	2120.9	2152.2	2102.0

FIXED INTEREST

	PRICE INDICES	Mon Oct 21	Day's change %	Fri Oct 18	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	121.61	-0.08	121.70	1.60	10.20
2	5-15 years (28)	132.94	-0.35	133.41	1.25	11.84
3	Over 15 years (8)	141.85	-0.49	142.55	2.16	10.60
4	Irredeemables (6)	158.78	-0.62	159.78	4.25	8.83
5	All stocks (69)	131.75	-0.28	132.12	1.49	11.29
	Index-Linked					
6	Up to 5 years (2)	166.16	+0.01	166.15	0.21	3.16
7	Over 5 years (9)	148.76	-0.26	149.14	0.61	3.83
8	All stocks (11)	150.03	-0.22	150.36	0.55	3.81
9	Debs & Loans (60)	112.43	-0.55	113.06	2.22	8.53

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 21	Fri Oct 18	Year ago (approx.)
	British Government				
1	Low	5 years	8.83	8.76	10.62
2	Coupons	15 years	9.59	9.53	10.83
3	(0%-7¾%)	20 years	9.59	9.53	10.84
4	Medium	5 years	9.84	9.78	11.61
5	Coupons	15 years	9.75	9.69	11.31
6	(8%-10¾%)	20 years	9.70	9.64	11.21
7	High	5 years	10.04	9.98	11.70
8	Coupons	15 years	9.85	9.78	11.53
9	(11%-)	20 years	9.76	9.69	11.46
10	Irredeemables		9.78	9.71	11.05
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.81	3.81	4.28
12	Inflation rate 5%	Over 5 yrs.	4.24	4.22	4.39
13	Inflation rate 10%	Up to 5 yrs.	3.16	3.16	3.01
14	Inflation rate 10%	Over 5 yrs.	4.05	4.03	4.20
15	Debs & Loans	5 years	11.51	11.40	13.27
16		15 years	11.31	11.22	12.77
17		25 years	11.12	11.03	12.44

‡Opening index 2596.8; 9 am 2598.5; 10 am 2599.5; 11 am 2592.5; Noon 2587.0; 1 pm 2585.7; 2 pm 2584.7; 2.30 pm 2584.1; 3 pm 2583.8; 4 10 pm 2576.5; (a) 9.39am (b) 4.18pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel. 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	69	13
Corporations, Dominion and Foreign Bonds	0	11	9
Industrials	213	331	951
Financial and Properties	81	152	524
Oils	21	18	51
Plantations	0	0	10
Mines	59	11	83
Others	42	41	59
Totals	417	633	1,700

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Amalgamated dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights".) Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — Oct. 21
- Last Dealings — Nov. 7
- Last Declarations — Jan. 23
- For settlement — Feb. 3

For rate indications see end of London Share Service

Calls in Amstrad, Delta Gold, Enterprise Computer, Premier Cons., Rosehaugh, Transfer Technology and Costain. Puts and calls in Costain and Transfer Technology.

LONDON TRADED OPTIONS

[illegible]

October 21 Total Contracts 24,476
Calls 13,580 Puts 10,896
FT-SE Index Calls 1,952 Puts 2,381
Euro FT-SE Calls 57 Puts 775
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Second legal action taken in US to repel generic drug makers

Glaxo faces new attack on patents

By Paul Abrahams and Bernard Simon

GLAXO, Britain's biggest pharmaceutical company, yesterday fired a second salvo in the defence of its patents for Zantac, tha ulcer treatment which is the world's best selling drug.

The company has started legal action in the US against Novopharm, one of Canada's largest generic drug manufacturers. This follows Glaxo's decision last April to fight Genpharm, a much smaller Canadian manufacturer, which like Novopharm has also filed an abbreviated new drug application to produce a generic version of Zantac. In both cases, Glaxo claims the companies will infringe one of the two patents protecting Zantac.

The implications for Glaxo if it loses the patent battle are potentially serious. Generic drugs have in the past taken as much as 50 per cent of the market of a previously patented drug within two years.

With sales of £1.6bn a year, Zantac represented 47 per cent of Glaxo's sales in the year to June 1991, and probably more of its profits. About half of Zantac's sales are in the US. Glaxo's dependency on Zantac is, however, declining as other products come ou stream. Its share price fell 15p to £14.23.

Zantac is protected by two patents, one known as Form 1 which expires in the US in 1995, and a second, called Form 2, which covers the crystalline form of ranitidine hydrochloride in which Zantac is marketed. It is the validity of the Form 2 patent, which expires in the US in 2002, that the two companies are challenging.

Echoing the arguments of other generic manufacturers which are challenging Zantac, Mr Leslie Dan, owner and chief executive of Novopharm said yesterday that he "has reason to believe" that Form 2 is invalid. The main challenge to Form 2 is that it does not differ significantly from Form 1.

Glaxo said it believed it had valid patent property in the US extending at least until 2002. It said it had not been surprised by additional generic drug manufacturers attacking its patent and would not be surprised if other companies followed Novopharm's lead.

Analysts are divided over the strength of the Form 2 patent. Ms Lisa Arnold, an analyst at County NatWest, argued that Zantac is safe until the end of the century. However, Mr Robin Gilbert, a pharmaceutical analyst at James Capel, said few people in the industry believa Glaxo stands a chance when it tries to defend the patent.

"The question is not whether Glaxo has an excellent future," said Mr Gilbert. "The company has plenty of good products in the pipeline. The question is whether Glaxo's future is spectacular."

Amber Day beats recession with £10.1m

WITH EVERYONE wanting a bargain in the recession-hit UK, the Amber Day retail group more than trebled its profit last year thanks to its What Everyone Wants discount chain, writes Jane Fuller.

The taxable figure rose from £3.02m to £10.1m in the 53 weeks to August 3, on turnover of £103.2m (£31.2m). It had been predicted with the £24.4m rights issue in June – the second cash call in little more than a year – that profit would reach £9.75m.

What Everyone Wants was the driving force behind the growth. Its 44 shops in Scotland and the north of England contributed £13.1m operating profit.

The menswear chains, Woodhouse and Review, lost money as they succumbed to the sector's weakness in the south of England. The combined operating loss of £304,000 compared with a profit of £1.37m.

Mr Philip Green, chairman and chief executive, was candid about the focusing of effort on WEW, rather than on the menswear stores acquired in 1988-89, his first year as head of the group.

WEW's operating profit margin was 16 per cent on turnover of £81m. He said margins had been enhanced by the computerised gathering of sales information, the tight control of stock and the low cost base of its sites. The discount chain's products include clothes, household goods, toys and perfume.

With the rights issue proceeds coming in just before the year-end, net debt was cut from £23m in July 1990 to virtually nothing. The issue restored the group to net worth of £22m.

Mr Green anticipated that the debt position would be similar at the end of this year, after the opening of a dozen more WEW stores and some refurbishment, giving a total capital spending budget of £3m to £4m (£3.2m). He stressed that no further acquisitions or share issues were planned.

The average number of shares went up from 51.6m to 91.7m last year. As a result, earnings per share grew less rapidly than profits to 7.05p (4.28p). The June 1-for-3 issue will have a further impact on share numbers this year.

Import and distribution increased its profit to £1.12m (£447,000). Interest costs rose to £3.25m (£150,000 received).

A final dividend of 1.8p makes a total of 2.7p (2p).

Advertising fall leaves Southern News at £8.6m

SOUTHERN Newspapers, the regional publisher which has received a number of bid approaches, yesterday revealed that pre-tax profits slumped from £15.05m to £8.61m over the year to end-June as the recession in the sonth of England hit advertising revenues, writes Clare Pearson.

Profits from newspaper printing and pnblishing dropped to just £3.31m (£7.91m) as turnover fell from £77.1m to £71.4m.

A surplus on disposal of investments, including shares in Reuters, the news agency and information gronp, and Associated British Ports, accounted for £5.9m (£5.5m) of profits.

However, Mr John Salkend, who joined the board in March and this month became chairman, indicated in his annual statement that the outlook for the current year was brighter. Revenues appeared to have stabilised, he said.

He added that the company had the "management and financial strength to continue trading successfully as an independent group." The final dividend is maintained at 7.5p for an unchanged yearly total of 10.5p.

Mr Salkend said yesterday that the group's financial position was strong: its bank overdraft, net of cash, amounted to only £578,000, and it was less than 15 per cent geared.

The Monopolies and Mergers Commission is due to report by Thursday on the bid approaches – which Include those from Pearson, which publishes the Financial Times, and Reed International, the pnblishing group – to Mr Peter Lilley, the trade and industry secretary.

● COMMENT

On the basis of the last quotes for shares in Southern, which change hands under the Stock Exchange's matched bargain rules, the group is capitalised at about £70m and the stock is trading on a multiple of about 30 times last year's earnings from newspaper publishing and printing. Evidently, the valuation owes a great deal to the expectation of bids emerging. The referrals of the five in July were made on the the basis of the concentration of paid-for circulation to which the mergers would give rise, but the City is not expecting the MMC to block them. Any defence may be expected to make much of Southern's recent board appointments and a group reorganisation being carried out. The shareholder list includes M & G Investment Management and Portsmouth and Sunderland Newspapers, with about 5 per cent apiece.

P&P shares plunge after profits warning

By Alan Cane

SHARES IN P&P, one of the UK's largest distribntors of personal computers, halved in value yesterday after the company warned it was unlikely to make a profit in the second half of the year. As a conseqoence its full year figures would be well below market expectations.

The City reacted with surprise to the announcement and knocked the shares down from 101p to 50½p.

The market had been predicting pre-tax profits of £6m-£8m for the full year, after the company made £3.3m on sales of £120m in the first half. Now it seems unlikely that P&P, chaired by Sir Roland Smith, former head of British Aerospace, could turn in profitable six months figures before the second half of 1992.

Traditionally, the second half is P&P's strongest sales period. This year sales did not materialise as cnstomers struggling with the recession froze expenditure on personal compnters and other capital items.

Analysts said they would have appreciated earlier warning of the problem. Their sense of shock was deepened by the fact that the company had appeared to perform well in the first half, despite chaotic conditions in the PC market. Margins were being cut to the bone through a combination of fierce price competition and the falling cost of computer hardware which had devastated some PC distributors.

P&P had been restructuring with the intention of improving the qnality of earnings through a greater emphasis on compoting services, which commanded substantially greater gross margins than PC sales. The restructuring measures had been brought forward by 12 months but yesterday's warning Indicated that P&P is still very dependant on volume sales of PC's. The company announced a further 60 redundancies.

It claimed the balance sbeet was still strong and that it would recommend an unchanged final dividend.

That would do little to comfort Scottish Amicable Investmeot Managers, which bought 5m P&P shares just before the price crashed.

Tough going for Aberdeen Steak

After providing £3.2m for estimated losses ou disposal of closed branches, Aberdeen Steak Hooses finished 1990 with a pre-tax loss of £3.27m. The comparative profit was £166,000.

Despite the conditions in the property market a number of problem branches had been sold, said Mr Ali Salih, chairman.

Turnover rose to £16m (£15m). Losses per share were 23.5p (1p) and there is no dividend (interim 0.75p).

Mr Salih told shareholders that work on a proposed offer for the minority shares which would take the company private have been shelved pending an improvement in the economy and completion of the disposal programme.

When mooted in August it was said the price was unlikely to be "materially different" from the 67p at which the company joined the USM in 1985. Yesterday, the shares fell 5p to 25p.

Institutions threaten to take joint action against Hanson

By Roland Rudd

HANSON's institutional investors are threatening to come together to put pressure on the conglomerate to change its managerial style.

The big investors were yesterday responding to a letter sent to them from Mr Peter Harper, Hanson's director in charge of investor relations.

The letter stressed Hanson's 27 years of uninterrupted growth and increase in earnings per share, and conclnded that the conglomerate's strategy would remain to increase shareholders' value.

It was criticised by fund managers as "arrogant", "misguided" and "unsatisfactory".

One said "it completely failed to address the Issoes raised. Lord Hanson must take note of what we are saying or we will be forced to get together to increase our influence."

Although it is unlikely to involve all the big shareholders, the threat to meet in unison is without precedent with Hanson.

Institutional investors want Lord Hanson to take account of criticisms over the company's corporate governance and want it to change its managerial style.

In particular, they want more independent non-execntives appointed to the board, an explanation of the role of Lord White – head of Hanson Industries in the US but not a main board member – and some idea of who might succeed the two 69 year old Lords.

The biggest shareholders include Prudential Portfolio managers, Norwich Union Life Insurance Society, Standard Life Assurance, Postel Investment Management, Legal & General Investmant Management and Scottish Widows Fund Management.

Meanwhile, Hanson's offer document for Beazer – which gives a detailed breakdown of earnings in order to comply with US securities laws – shows that, for the first time in 27 years, UK profits have fallen in the first nine months of the company's trading year.

Pre-tax profit in the UK to the end of June fell from £443m to £368m, while in the US pre-tax profit rose from £311m to £432m.

The offer documant also makes clear that the sale of Newmont Mining Corporation in December 1990 realised a profit of £170m which was taken above the line.

If it was taken below the line Hanson would not have been able to increase its overall pre-tax profits which went up from £939m to £967m for the nine months to end-June.

Hanson's shares yesterday fell by 3½p to 217p.

GrandMet acquires ouzo distiller

By Kerin Hope in Athens

GRAND METROPOLITAN, the UK food, drinks and retailing group, has bought Kaloyannis Brothers, Greece's leading ouzo producer, consolidating its presence in the Greek drinks market.

GrandMet acquired a 30 per cent stake in the distillery in 1989, together with distribution rights abroad, as part of its takeover of Metaxa, the family-owned Greek brandy maker.

The group paid Dr7.4bn (£23.7m) for the remaining 70 per cent of Kaloyannis, owned by Mr Spyros Metaxas.

Kaloyannis makes Ouzo 12, the most popular aniseed-flavoured aperitif in Greece, with a 40 per cent share of the market.

The company reported losses of Dr88,000 on turnover of Dr2.95bn in 1990. However, sales abroad have improved since GrandMet took over distribution of Ouzo 12.

Exports to Germany, the main foreign market for Greek wines and spirits, doubled last year to 200,000 cases. Ouzo 12 is also the top-selling ouzo brand in international dnty free shops, Metaxa said.

Overall consumption of ouzo in Greece is declining, driving small distillers out of business.

Marketing of well-known brand names is becoming increasingly aggressive as larger producers compete to keep their market share, especially in the main tourist resorts.

NEWS DIGEST

Bourne End £796,000 in the red

BOURNE End Properties incurred a loss of £796,000 in the first half of 1991, described by the directors as "a creditable performance" given circumstances in the investment property market.

It compares with a £2.27m deficit in the second half of last year and with a profit of £65,000 for the first half.

The Interim dividend is passed (1p) but that decision should not be taken as indication of the final, directors stated. Losses per share were 9.6p (earnings 0.77p).

Interest charges were £2.44m (£1.25m). No interest was capitalised this time (£350,000).

Improvement for Clydesdale Trust

Over the six months to September 30 net asset value at Clydesdale Investment Trust improved from 95.04p to 98.57p.

A year earlier it stood at 91.82p.

In the half year total income rose from £844,000 to £936,000 and earnings per share moved ahead from 3.45p to 4.11p. The dividend is again 3.45p with an unchanged final of 2.45p.

The resnlts excluded Wemyss Coal, a wholly-owned dealing subsidiary. It is paying a dividend of £300,000 for the year (£50,000).

Danbury £5.8m loss after exceptionals

Danbury Group, the property and housing company, turned in an operating loss of £1.1m for the year to March 31, knocked up to a pre-tax deficit of £5.77m after a £4.69m exceptional charge resulting from writing down the value of some developments.

This compared to a £1.24m loss last time after a £2.3m exceptional charge.

Turnover was down at £3.25m (£3.93m). There is no dividend (0.56p).

W&M holds 32.4% of Invergordon

Whyte & Mackay has acquired a further 1.31m ordinary shares (1.3 per cent) in Invergordon Distillers, increasing its holding in the Scotch whisky group to 41.2m ordinary shares, representing 32.4 per cent of the equity.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberdeen Steak §.......fin	nil	-	nil	nil	0.75
Amber Day ....fin	1.8	Dec 20	1.3	2.7	2
Bourne End Props.....int	nil	-	1	-	2
Clydesdale Inv ....fin	2.45	Jan 6	2.45	3.45	3.45
Danbury ....fin	nil	-	0.56	nil	0.56
Southern News ....fin	7.5	-	7.5	10.5	10.5
Sphere Invest ....int	0.9375	Nov 29	0.9375	-‡	3.87

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Total to date is 2.8125p.

UK COMPANY NEWS

Waterford Foods pays £37.5m for dairy expansion

By Tim Coone in Dublin

WATERFORD FOODS, the Irish dairy and foods group, yesterday took a further step in its expansion strategy into Europe by acquiring Manchester-based United Co-operative Dairies for £37.5m.

Following its acquisition of Heald's Foods in 1989, Waterford will now control the second largest dairy business in the north-west of England, in a market of 7m people, twice the size of its domestic market.

Mr Stephen O'Connor, managing director, said the group's aim was "to eventually have a major business in Europe". He said the limited market in Ireland necessitated overseas expansion if the company was to survive in the face of competition in an open European market.

He said reforms of the EC's Common Agricultural Policy would oblige dairy-based food groups to move away from the production of butter and skimmed milk products which depend upon intervention buying and into new product areas. The acquisition fits in with this strotegy, he said. "Our next logical move would be into mainland Europe during the next couple of years".

The acquisition, financed by bank debt and from current income, will expand turnover by some 20 per cent, and for the first time place the UK arm of Waterford's business above that of its home-based Irish operations. The purchase is phased over three years.

Last month, the group abandoned merger talks with Avonmore Foods, another leading Irish dairy foods group, the two hoving failed to reach agreement on the balance of power within a new merged company.

Jessups profit warning

By Peggy Hollinger

JESSUPS, the Essex-based motor dealer and vehicle leasing group, yesterday warned that profits for the year to August 31 would be lower than expected and announced a restructuring programme which included the resignation of Mr Alan Jessup as chief executive.

The shares fell 7p to 42p.

Mr Jessup, whose father founded the company in 1925, said the group would report a profit over the full year.

However, trading in the current year remained depressed. "That's why we are cutting the cost base," he said.

The restructuring announced yesterday included 50 redundancies which, along with other measures, would result in savings of about £1m, Mr Jessup said.

"This is being done partly in response to prevailing poor trading conditions, but also to enable the group to take effective advantage of any upturn," a statement from the company said.

Mr Jessup's responsibilities as chief executive will pass to Mr Ronald Joseph, finance director, who has been appointed managing director. Mr Jessup will retain his post as chairman. "It was a boardroom decision and I go along with it," he said.

Mr John Ganney, company secretary, will become finance director.

In the six months to February 28, Jessups suffered a pretax loss of £189,000, compared with a profit of £975,000 in the previous year.

The full-year results are due on November 13.

Value & Income Trust

Over the six months to September 30 net asset value of Value & Income Trust improved by 4p to 81p per share. A year earlier it stood at 70.2p.

The year's dividend is forecast to rise from 2.7p to 3.24p, with the interim now lifted to 1.82p (1.35p).

YJ Lovell £10m sale of Scottish housing side

By Andrew Taylor, Construction Correspondent

YJ LOVELL, the housebuilder and developer in which Taylor Woodrow has taken a 4.9 per cent stake, has sold its Scottish housing operation for about £10m to Ambion Homes, a private company.

The purchase price, which includes the repayment of company debt, was roughly equivalent to the net asset value of the Scottish subsidiary which, according to Lovell, amounted to £10.1m at the end of last month.

Ambion is to pay £5m immediately with the balance to be paid at the end of next March.

Lovell Scotland made pretax profits of £961,159 during the 12 months to end-September. It sold 140 homes during the period, accounting for 16 per cent of all house sales by the Lovell group.

Mr Trevor West, finance director, said that the proceeds would be used to reduce group debt. The company in June had expected that net debt would reach £55m at the end of September, accounting for about 55 per cent of shareholders funds.

However, the UK housing market has not sustained the level of improvement the company had hoped for when it made the forecast.

The sale of Lovell Scotland is part of an overall rationalisation of housing operations which have been consolidated from four into two operating units based in the Midlands and the south of England.

Dean & Bowes sells Pannell offshoot

Dean & Bowes, the interior refurbishment group, is selling its Pannell Signs subsidiary to reduce debt by £1.11m and cut gearing by a quarter to 60 per cent.

Pannell has been hit by the recession and did not contribute to the £735,000 half-year operating profit reported on October 17.

The consideration is £38,000 with the purchaser taking responsibility for £203,000 debt and a £1.07m overdraft.

Into gear and on the road to a profitable future

Roderick Oram charts the progress made by David Brown under its new management

ONLY A few cheap silver-plated trophies on the boardroom mantelpiece, commemorating some glorious 1950s racing victories, are left of Aston Martin at David Brown, the Huddersfield engineering company.

The sports car builder and other gems were sold off in the 1970s as David Brown, gear maker to the world for 130 years, lurched from one financial crisis to the next.

But the company's real prize lies not in the boardroom but down below on the shop floors of the sprawling 16-acre site.

"Despite 20 years of mismanagement we still have a group which is a world leader with huge underlying strengths in its technology, skills and name," says Mr Chris Cook, one of the company's new owners.

Bringing out the strengths of a business stuck in the inefficient past and barely breaking even was not easy. A complete rebuilding of David Brown was necessary, Mr Cook and his partner Mr Chris Brown found when they paid £46m for the family-owned company in January 1990.

They brought with them a debt and equity package put together by Bankers Trust and considerable experience of turning round engineering companies. Mr Cook, 41, had worked at Hawker Siddeley, British Steel and TI while Mr Brown, 37 and no relation to David Brown's founding family, came via Jaguar, Lucas and GEC.

Their paths had crossed at FKI, the once acquisitive engineering group, which sparked their interest in acquiring a business for themselves. They discussed targets with Mr John Mowinckel, then of Bankers Trust, over dinner in London in March 1989.

They wanted a moribund privately-owned company with annual sales of £50m-£100m. David Brown, a group they knew a fair bit about from dealings with it, far outshone other candidates. The problem was that Sir David Brown, the 87-year-old, third generation chairman, was a tax exile in Monaco and reputedly unwilling to sell.

Mr Mowinckel's father, however, was one of Sir David's neighbours. Within weeks, Mr Mowinckel junior "just happened" to bump into Sir David at a Monaco cocktail party. For nearly 20 years he had left managers to run the company. But he could never quite let go. The average tenure of a chief executive was about 18 months. But with no family members to succeed him, he now seemed prepared to discuss a deal.

Sir David turned out to be a wily negotiator between afternoon naps and attending to other business such as building, with his young third wife, an ocean-racing catamaran in South Africa.

The incumbent management and a third party threw in last minute buy-out offers, both relying heavily on a big increase in turnover or sale of assets to pay off buy-out debt. Mr Cook and Mr Brown proposed instead to keep virtually all the business but make it more efficient so it could earn the money to cancel the debt.

Of the £46m package, they supplied some 25 per cent of the £7.8m of new equity with the balance coming from Bankers Trust, Charterhouse and Morgan Grenfell. Mezzanine debt of £9.2m and senior debt of £29m came from various institutions including Midland, Canadian Imperial Bank of Commerce and Bankers Trust.

Mr Cook and Mr Brown arrived in Huddersfield in January 1990 to find a badly run-down company. It was inefficient, unreliable on delivery times, tied closely to old Commonwealth markets, barely represented in Europe and poor at customer relations.

Some things like customer service were relatively easy to fix. Others, such as reorganising manufacturing, were much harder. Many of the machine tools "were ageing but not old," says Mr Cook, but they were still well behind those of other European gear makers.

Some operations were brought in from branch plants. At Huddersfield about half of the machine tools were rearranged, mostly from a functional arrangement to cells to speed up manufacturing times. Some £2m was spent on new equipment in the first year and £3m this year, a rate which will continue next year.

Head office staff was slashed from 50 to seven with functions devolved to the four operating divisions. Some 400 were cut from from the factory floor to leave a total workforce of 1,850. Many shop floor practices were changed; turnover per employee is £65,000 against £42,000 the year before the buy-in.

After years of weak management, the unions were strong. "We've tried to correct that balance," says Mr Cook. Matters came to a head last Christmas when a shop steward was dismissed for refusing to undertake some training required by the management.

The Amalgamated Engineering Union called a strike. Mr Cook and Mr Brown sat tight, even though the company was supposed to be making tank transmission spare parts for the Gulf war. The union called off the strike after three weeks.

"The future of the vehicle transmission business hung in the balance," Mr Cook says. "But we were prepared to close it down and move it."

Management ranks have also been strengthened. Three of the four divisions are headed by people who were with the company before the buy-in. But some 25 new managers have joined in financial, manufacturing and commercial areas.

Chris Cook (left) and Chris Brown: seeking acquisitions

New financial, information and control systems were installed. The previous management could not, for example, determine the direct material cost of individual products.

Within the first two-and-a-half years, the new management will have introduced three new products, up from two in the previous 10 years.

All these changes were made in the teeth of a recession far deeper than Mr Brown and Mr Cook had expected. Fortunately demand in two divisions – transmissions for vehicles such as trains and tanks, and pumps for the likes of the oil industry – has grown.

In contrast, the Radicon division, which makes standard reduction gearboxes, suffered a 30 per cent fall in orders. The fourth division, which makes special products such as custom gears, was flat initially but has dipped in the past five months.

If business was harder than expected, turning round David Brown's finances was easier. Mr Cook and Mr Brown planned in their first year ending January 1991, to slightly reduce turnover from £72.8m (it rose to £74.7m), take £3m out of stocks and debtors (they took out £8m), generate £6.5m in operating profits, up from break-even a year earlier (they made £8m and reckoned the recession cost another £1.5m), repay £3.5m of senior debt (they repaid £10m) and end up with a £5m overdraft (they had £3m cash). Gearing fell from 300 per cent to 50 per cent with interest covered three times.

"Our performance in the first year exceeded our wildest dreams," says Mr Cook.

The improvement continues. In the current first half they made operating profits of £4.7m and pre-tax profits of £3.4m on turnover of £40.9m. For the full year they are forecasting £9.5m operating profit on turnover of £83m and zero gearing.

Having completed phase one – "getting the bloody thing financially viable" – they are now starting phase two, recapitalising the business. The present capital structure holds until January 1993 but then the institutions have the right to take out their equity.

"They're all very happy with our performance but some might want to realise their profits," Mr Cook says. Four strategies are being considered:

- reversal into a listed company;
- borrowing to buy out the institutional shareholders, the least attractive option;
- sell out;
- float David Brown.

Two important factors are: "We want to continue our role at David Brown and our industrial careers," says Mr Brown. "Utopia would be to merge with another engineering and manufacturing company with overseas synergies so we could export our management strengths to that company," says Mr Cook.

Plenty remains to be done at David Brown but it is once again a robust base to build on. Mr Cook and Mr Brown, helped by Mr Mowinckel, a board member and now with First Chicago, are looking for acquisitions.

Says Mr Brown of their success to date: "Nothing we did was particularly clever or unusual. It was just about managing a business properly – and buying the right one."

China to join tin producers' association

By Kenneth Gooding, Mining Correspondent

CHINA, THE world's second-largest tin prodncer, is joining the Association of Tin Producing Countries, the association that is attempting to stabilise the market by setting export quotas to compensate for the huge stocks that have been hanging over the market since the 1985 collapse of the International Tin Council's price support scheme.

Analysts suggested yesterday that China's move might have e short-term favourable impact on tin merket sentiment and should in the longer term give the association more control over supplies when prices started to rise again.

However, the London Metal Exchange price of tin for immediate delivery last night closed $12.50 down on Friday's level et $5,565 e tonne.

Depressed by overhanging stocks, tin prices have been exceptionally low and this has forced Malaysia and Thailand to cut output by nearly one-third and caused widespread mine and smelter closures throughout the rest of the world.

Chine will join Australie, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire in the ATPC which is working to cut stockpiles, et present about 45,000 tonnes, to below 20,000 tonnes.

The ATPC set members an export limit of 95,849 tonnes for 1991. It is considering a proposal that quotas should be cut by 9 per cent in 1992. The association suggests that China exported 15,884 tonnes of tin in concentrates last year, up from 10,000 tonnes in 1989.

Mr Ginanjar Kartasasmita, Indonesia's mines and energy minister, said at the association's meeting in Canberra yesterday that this target should be reached in two years.

Mr Fidelis Madavo, analyst et the Commodities Research Unit, said China's move was "a vote of confidence in the ATPC". He pointed out, however, that the tin market's main concern was Brazil, now the world's biggest producer, and Brazil had still to be persuaded to join the producers' association.

Mr Andy Shaw, at Metals & Minerals Research Services (MMRS), said that Brazil remained the key element in the market although its output was likely to fall below 30,000 tonnes this year.

The tin market was also suffering from the total collapse of exports to the former Soviet Union which used to take 15,000 to 16,000 tonnes of tin e year from western producers.

Mr Shaw said that, despite the Soviet problems, it was likely that "by the end of 1992 the tin market's stock overhang might show clear signs of having disappeared and, in the absence of a rapid response from prodncers, prices could yet test $5 a lb ($11,020 a tonne) in the later stages of thet year."

Squabbles delay Soviet oil and gas development

By John Lloyd in Moscow

SQUABBLING between officials at local and state level is delaying the award of the contract to exploit the rich oil and gas reserves off Sakhalin, in the Soviet Far East. Leading contenders for the contract, worth over $6bn, said yesterday mon that they expected no desision until next month.

Reports in the Soviet and Japanese press over the past few days have indicated that a decision has been made either in favour of a consortium made up of the US Exxon Corporation and Sodeco, a majority-state-owned Japanese oil exploration group, or the "3M" consortium made up of Marathon and McDermott of the US and Mitsui of Japan. However, e representative of Sodeco in Moscow, Mr Shigeru Moriyama, said last night: "We wait e decision, like everyone else".

The failure to agree so far stems from the chaotic situation in the industry's governing bodies - as the old Soviet Ministry of Oil and Gas is dismembered end largely reformed into Russian-level structures. At the same time, a committee in Sakhalin is claiming the right to have the final say on granting the concession.

The Sakhalin field, the exploration of which had been entrusted to a Japanese consortium – including Sodeco – in the 1970s before being stoped after disagreements, is estimated to have a capacity of between 5m and 7m tonnes of oil a year over e 20-year productive life, and 15m-20bn cubic metres of natural gas.

● The price of the Organisation of Petroleum Exporting Countries' basket of seven crudes last week moved closer to the $21-a-barrel reference price, averaging $20.76, up from 20.30 the previous week.

Surveying Britain's 100,000 forgotten farmers

Bridget Bloom reports on a study of holdings that are too small to figure in official statistics

THE TYPICAL English farmer owns 25 acres and makes a profit of £200 a year. True or false?

True *and* false. According to a new study that appears to turn on its head the conventional wisdom that Britain has the largest and most efficient farms in Europe, very small farms constitute more than 40 per cent of all agricultural holdings in the UK.

The study, conducted by the agricultural departments of ten British universities over the last four years, has produced some superficially astonishing conclusions.

According to Professor Tony Giles of Reading University, one of the survey's principal authors, out of the UK's 240,000 holdings, at least 100,000 *fall* into the very small farm category, averaging no more than 11 hectares (27 acres).

What's more: "In England in 1988 the everage net farm income on these holdings was a mere £300, falling to £200 in 1989". Yet "off-farm income averaged £12,500 in 1988, rising to £13,500 in 1989", the study's last report says.

Yet these small farms are in another sense quite atypical of British farming. Important though they obviously are in terms of people and perhaps, as the report says, "in the context of such current issues as rural depopulation, regeneration of the rural economy and the care and appearance of the countryside", they are of negligible agricnltnral significance, accounting for only 2 per cent of all agricultural production.

Indeed, it may be legitimate to ask, as does Mr David Curry, junior UK farm minister, whether they should really be classed as farms at all.

Who are the 100,000 or so farmers and what is or should be their role in the UK's changing farming scene?

The farms covered by the study were those *deemed too* small to eppear in the National Farm Business survey, which was why the government decided to fund research into them. This involved interviews from a sample of 500 holdings in 1986 and 1987 and 1,100 in a different sample in 1988-89.

Garden centres and nurseries are among the *most profitable* of the very *small holdings*

Although the survey's academic authors are chary of hard and fast conclusions and evoid political judgments, the four survey reports highlight great variations among small farms, while also identifying key characteristics that apply to virtually all of them.

Least typical are what the survey terms "amenity farming", most freqnently found in the "stockbroker belt" in southern England. Here, in counties like Kent, Sussex and Surrey, where land values are highest and unemployment has been the lowest in the UK, around 50 per cent of the small farms fall into this category. Land and bnildings are acquired with a desirable house and "agricultural activities carried out are largely for pleasure", the study finds.

In these richer areas about a *quarter of the remaining holdings* belong to retired people, while high-profit commercial holdings (mainly garden centres and associated nurseries) are also important. Of least significance are small farms with low incomes on which farmers are dependent.

In parts of the country, however, this situation is reversed. In Wales nearly a quarter of the farms in the survey have e "very low" standard of living with "an element of struggle in making ends meet financially". Two-thirds of the Welsh farmers are over 50 years old, a third over 65 and many are in poor health or unemployed.

In the south-west – including Devon and Cornwall – very small farms constitute 30 per cent of all egricultural holdings and although two-thirds of the farmers interviewed were over 50 years old "there were also a significant number of younger farmers and families with dependent children. "While in economic terms farm incomes are generally very low, averaging only £442, the cash income [provides] a very useful – even essential – supplement to other non-farming sources of income."

On average, non-farm income in the south-west, two-thirds of which came from waged employment, was £9,356 in 1989, says the report.

In the same year, equally low incomes were registered for very small farms in eastern England – which also inclndes some of the biggest and richest farms in the UK. Average net small farm income there was £300, with non-farming income an annual £9,200.

According to the report "most farmers could not even subsist on these farms if they did not heve outside sources of income. Even this, at between £7,000 and £15,000 a year inclnding unearned income, was small by national household income levels". The report adds that small farmers across eastern England also had to find average interest payments of nearly £2,400 a year.

Across the country therefore, despite variations of geography, soil and type of farming (very small dairy farmers for example have generally performed better than mixed farms), a picture emerges of part-time farmers operating at the margins of commercial agriculture.

This impression is enhanced by the characteristics they share: time and again the survey refers to poor management. While farmers and their spouses spend almost as many hours working on the farm as on their other jobs, farm profits are virtually non-existent.

Yet in one of its most telling observations the report notes that while many may have become small farmers because they hoped that would be the first step on the ladder to bigger and better things, they were relatively content with their present lot. "There does not eppear to be e permanent class of small farmers. . . one aspires to, rather than belongs to the small farmer class," the report says.

If this observation is correct, Britain's very small farmers are clearly not a downtrodden peasant class. Yet neither are they, despite some similarities, quite like the Bevarian part-time farmer who also earns a hefty salary each month from, say, BMW and gets substantial support from the EC.

Although the report has sadly few details, Britain's small farmers are so far at the margin that they appear to benefit very little from the annual (£30bn) budget of the European Community's Common Agricultural Policy. As the report puts it: "the study identified few holdings whose occupiers could claim, because of primary dependence on farming as a livelihood, to be valid targets of agricultural support".

However, whether or not this means that they have no political significance as the EC strives to reform the CAP is open to question. Farm Commissioner Mr Raymond MacSharry's proposals quite clearly favour Europe's small farmers, both by compensating them for the most severe price cuts and by offering "prodnction neutral" aid. This emphasis on the small farmer, which pleases much of the EC, is the principle reason why the proposals have evoked such hostility from the UK, where according to official statistics, there are some 120,000 commercial holdings but 29,000 farmers account for 55 per cent of total production.

Observers suggest thet Britain's very small farmers could gain substantially from the MacSharry reforms. Mr Sean Rickard, the National Farmers' Union's Chief economist, believes this to be the case, although, not surprisingly, he deplores the possibility that as a result "very large chunks of public expenditure could be devoted to people who are no more dependent on farming than you or I".

David Curry agrees. "It is quite clear that Britain's very small farmers do not need aid from Brussels, since they have already chosen to work the land without profit" he says.

Ministers and NFU officials both argue that very small farmers have e role, albeit often e passive one, in the restructuring of Britain's agriculture. Mr Rickard for example points out that very small farms have grown in number, though declined in area, over the last decade, as middle sized farms are split up to become small holdings and parts of larger farms.

Ministers will certainly resist pressure to increase aid to the very small farmer, even if they have not yet produced policies to cope with the environmental and other implications of what the report says are their "distinctive" role in the countryside.

A further question remains for policy makers: if so many of Britain's farmers have been able to remain on the *land and* yet find most of their income from outside farming, have the fears been exaggerated of the effect of agricultural reform and of declining farm incomes that this will bring?

Is it possible that as farm incomes decline, more farmers will become part-time, looking after the land but otherwise not being a burden on the taxpayer?

Very Small Farms "A Distinctive Role?" is the last of four reports published in 1988-91 by the University of Reading's Department of Agricultural Economics and Management.

Iran becomes biggest customer for Sri Lanka's tea

By Mervyn de Silva in Colombo

IRAN HAS displaced Iraq as the biggest buyer of Sri Lankan teas. However, both Iraq and Jordan are once more active bidders at the Colombo tea auctions.

There was a sharp fall in Iraqi and Jordanian tea purchases soon after the Gulf crisis and Iran has slipped into Iraq's long established position as the top tea buyer.

In the first eight months of the year, Iran bought 22.3m kg, says Forbes and Walker, a leading broker. Jordan came second with 19.8m kg. "This improvement is astonishing," says the broker's report. "In the first five months, the total shipment was only 8m." Jordan purchased a mere 3.3m kg in the first eight months of 1990. Tea traders argue that this "spectacular rise" could have only one explanation. Jordan has been buying tea for Iraq after the United Nations trade embargo, said e Sri Lankan agent for a Cairo-based firm. In the first eight months of 1991, Egypt came third.

Tea production rose sharply in July and August and it is possible that last year's record crop of 233.2m kg will be bettered. Forbes and Walker doubt that production will decline in the final quarter. Tea exports, which totalled nearly 139m kg, earned Sri Lanka SR 12.1bn, (about $300m). In the same period last year, Sri Lankan tea exports earned SR12.8bn.

Although there was "strong Middle-East buying in the first fortnight of October, particularly by agents for Syrian buyers, Iraqi buyers were absent," said Forbes and Walker. The average price of tea of all grades fell by about SR1 per kilo (12.5c). High-grown tea prices fell by about 15.5 per cent.

While the 1990 record production of 233.8kg (two hundred and thirty three point eight kilos) may be bettered, there has been a decline in the harvest of high- and medium-grown teas, which fetch higher prices than the low-grown.

Barbadian sugar problems

By Canute James in Kingston, Jamaica

THE BARBADIAN sugar industry has been temporarily shut down because it has run out of money, and there is a danger that the island will be able to meet its European Community and United States quotas for the current crop year.

Barbados Sugar Industry, a privately-owned company, has closed its three mills, which were being made ready for the start of the harvest in three months tome. It owes US$87.5m to the state-owned Barbados National Bank, has had its lines of credit cut off.

"The company is seeking a foreign loan of $8m to allow it to reopen the mills in time for the start of the harvest. "Within the last few weeks, the situation began to reach crisis proportions when the industry's major bankers advised that they were not in a position to meet the industry's entire financial requirements," the company said. A delay in the start of milling will threaten shipment of the country's 54,000-tonne EC quota.

WORLD COMMODITIES PRICES

MARKET REPORT

THE GOLD price rose sharply at the London bullion merket yesterday in e follow-through from Friday night'e conlinued rally in New York. By the close it was quoted at $364.40 a troy ounce, up $4.40. Gold was underpinned by comments by formar Soviet Prime Minister Nikolai Ryzhkov at the weekend thet seemed to endorse recent statements by Soviet economist Grigory Yavlinsky that Moscow holds only 240 tonnes in gold reserves. But traders said trading was fairly thin and euggested that etiff resietance at $365 an ounce would have to be broken before furthar significant progress could be made. There were worries, moreover, that producer selling might ba attracted et theaa levels. At tha London Matal Exchange e sharp fall wiped out most of last week's edvance in the copper market. Tha cash price closed £17 down et £1,365.50 e tonne after news that labour contract talks were to be resumed tomorrow et the Highland Vallay mine in British Colombia. Mr Poul Hensen, the company'e president, said the resumption was at tha request of the miners' union, which he described as e hopeful aign. The aluminium market extended Friday'a fall with cash metal closing $5 down at $1,195.50 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$19.05-9.10z	+.025
Brent Blend (dated)	$22.90-3.00	
Brent Blend (Dec)	$22.50-2.60	
W.T.I. (1 pm est)	$23.75-3.80z	-.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-240	+2
Gas Oil	$226-229	+1.5
Heavy Fuel Oil	$85-87	+1
Naphtha	$220-224	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.4	+4.4
Silver (per troy oz)♣	419.0c	+7.0
Platinum (per troy oz)	$371.0	+2.25
Palladium (per troy oz)	$86.35	+0.60
Copper (US Producer)	110.2c	-0.3
Lead (US Producer)	38.0c	+1.0
Tin (Kuala Lumpur market)	14.89r	-0.05
Tin (New York)	258.0c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.16p	-0.20*
Sheep (dead weight)†	112.45p	+3.63*
Pigs (live weight)†	74.82p	+2.10*
London daily sugar (raw)	$236.8j	-1.6
London daily sugar (white)	$267.0j	-3.0
Tate and Lyle export price	£248.5	-1.0
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	£101.0	
Rubber (Nov)♥	54.25p	
Rubber (Dec)♥	53.75p	
Rubber (KL RSS No 1 Nov)	227.5m	
Coconut oil (Philippines)§	$350.0j	
Palm Oil (Malaysian)§	$342.5u	
Copra (Philippines)§	$355.0j	-7.5
Soyabeans (US)	£151.5	-0.5
Cotton "A" Index	67.55c	-0.15
Wooltops (64s Super)	367p	+30

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Sep/Oct y-Nov/Dec z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	200.00	200.00	200.00 192.00
Mar	191.00	181.00	191.00 188.80
May	192.00	189.80	192.00 187.00
Aug	196.00		196.00 191.00
White	**Close**	**Previous**	**High/Low**
Dec	284.0	283.5	284.0 282.5
Mar	280.9	280.0	280.9 279.5
May	281.0	280.0	281.0 280.1
Aug	281.9	281.0	281.9 280.0
Oct	258.5	258.0	258.5 257.6
Dec	257.0	256.5	257.0

Turnover: Raw 141 (213) lots of 50 tonnes. White 1696 (1620)
Paris- White (FFr per tonne): Dec 1643.79, Mar 1640.34 (latest)

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	22.57	22.59	22.67 22.44
Jan	22.25	22.26	22.34 22.10
Feb	21.90	21.94	21.90
Mar	21.61	21.60	21.55 21.51
Apr	21.20	21.15	21.20
May	20.85	20.83	20.85
IPE Index	22.55	22.34	

Turnover 7419 (18712)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	224.50	224.50	226.25 224.00
Dec	225.25	225.00	226.50 224.00
Jan	221.25	220.75	222.25 218.75
Feb	212.50	212.00	213.25 211.50
Mar	202.75	202.60	203.25 202.50
Apr	196.00	195.25	197.25 195.50
May	189.50	188.50	189.50
Jun	185.25	185.00	185.25

Turnover 18616 (15529) lots of 100 tonnes

TEA
There was more general demand than of late this week, reports the Tea Brokers' Association. Best and good medium Assams met strong demand and were often 8 to 15p higher, sometimes more. Lesser sorts also sold more readily, except the plainest which were again neglected. The few central Africans available ruled firm. Ceylons were well supported with brighter types 3-5p up, mediums steady. Offshore brighter teas were firm at last rates, all others tending easier. The highest price realised this week was 253p for an Assam pf. Quotations: quality 220p/kg, medium 117p/kg, low medium 74p/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	743	760	755 740
Mar	783	797	795 778
May	803	820	817 803
Jul	828	842	833 825
Sep	849	863	860 846
Dec	873	888	875 871
Mar	898	912	903 897
Jul	934	948	945 940
Sep	951	966	958

Turnover:5258 (5156) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 18 950.33 (955.36) 10 day average for Oct. 21 969.06 (972.82)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	535	543	544 531
Jan	558	564	566 554
Mar	573	576	578 568

Turnover:2110 (5990) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 18: Comp. daily 84.78 (84.10) 10 day average 82.12 (82.09)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	131.4	129.8	131.7 131.0

Turnover 186 (283) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	132.80	132.50	132.80

Turnover 1 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1668	1665	1670 1665
Dec	1696	1701	1698 1695
Jan	1717	1720	1720 1710
Apr	1717	1719	1720 1718
BFI	1643	1639	

Turnover 253 (203)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	118.60	118.50	118.60 118.40
Jan	122.20	122.10	122.20 122.10
Mar	125.20	125.00	125.15 125.00
Jun	129.10		129.00
Barley	**Close**	**Previous**	**High/Low**
Nov	114.05	114.10	114.10 114.00
Jan	117.85	117.90	117.90
Mar	120.60	120.80	120.60

Turnover: Wheat 122 (132), Barley 0 (124).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	98.5		98.5 97.0
Feb	101.5		101.5 101.0
May	106.0	105.0	106.0 106.0

Turnover:27 (26) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	138.21	138.49			
Nov	138.10		136.90	136.10	30
Dec	136.20		137.20	136.10	42
Jan	136.10		136.70	136.10	40
Mar	136.20	136.60	136.20		10
Dec	139.60		139.50		10

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,787 lots
Cash	1195-6	1200-1.0	1194/1194	1192-3		
3 months	1224-5	1227-8	1245/1218	1222-3	1232-3	123,509 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,010 lots
Cash	1365-6	1382-3		1364.5-5.5		
3 months	1362-3	1384-5	1354/1348	1360.5-1.5	1355-6	108,950lots
Lead (£ per tonne)						Total daily turnover 931 lots
Cash	302-3	304-4.5		301.5-2		
3 months	314.5-5	316-6.5	314.5/314	314-5	314-5	12,475 lots
Nickel ($ per tonne)						Total daily turnover 22,335 lots
Cash	7420-30	7370-80		7365-70		
3 months	7470-5	7448-50	7475/7440	7440-5	7475-6	10,019 lots
Tin ($ per tonne)						Total daily turnover 1,511 lots
Cash	5560-70	5580-85		5565-70		
3 months	5630-5	5640-50	5635/5630	5630-5	5635-40	5,623 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,836 lots
Cash	978-9	985-9	977.5/977	976.5-7		
3 months	997-8	1007-8	1002/998.5	998-8.5	1001-2	27,364 lots

LME Closing £/$ rate:
SPOT: 1.7185 | 3 months: 1.6980 | 6 months: 1.6798 | 9 months: 1.6642

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.20-364.60	
Opening	362.20-362.70	
Morning fix	363.10	210.798
Afternoon fix	363.80	211.327
Day's high	364.50-364.90	
Day's low	362.40-362.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.80	6 months	4.63
2 months	4.75	12 months	4.55
3 months	4.70		

Silver fix	p/fine oz	US cts equiv
Spot	242.20	417.30
3 months	248.40	422.75
6 months	254.25	428.10
12 months	266.20	439.80

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	363.75-364.75	211.25-211.75
Maple leaf	374.75-375.75	217.50-218.00
New Sovereign	88.50-89.50	51.50-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	118	153	5	14
1200	46	86	32	44
1300	11	40	98	06
Copper (Grade A)	**Calls**		**Puts**	
2200	132	126	11	47
2300	62	73	40	92
2400	22	38	99	156
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	63	78	5	6
550	29	42	20	20
600	10	21	52	49
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	22	68	29	36
775	14	55	46	45
800	8	46	65	64
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2200		55	25	62
2250	47	55		
2300	27	38		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	363.0	362.2	364.0	364.0
Nov	364.3	362.8	0	0
Dec	355.8	364.4	367.4	365.5
Feb	368.8	367.3	370.1	368.7
Apr	371.0	370.1	373.0	371.5
Jun	374.4	372.9	374.7	374.2
Aug	377.3	375.9	377.2	317.2
Oct	380.1	378.9	0	0
Dec	383.2	381.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	373.2	371.6	375.0	375.0
Jan	375.2	373.6	378.3	374.0
Apr	378.7	377.1	380.0	378.0
Jul	382.3	380.7	0	0
Oct	389.1	387.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	414.3	413.3	0	0
Nov	415.2	414.2	0	0
Dec	417.0	416.0	422.8	416.5
Jan	419.0	418.0	0	0
Mar	423.6	422.0	429.5	423.5
May	428.1	426.9	431.0	430.0
Jul	432.3	431.0	435.0	432.5
Sep	436.9	435.4	440.0	440.0
Dec	443.7	442.0	448.0	444.3
Jan	446.4	444.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	106.10	108.30	106.30	105.70
Nov	105.60	105.75	105.60	105.30
Dec	104.80	104.95	105.25	104.30
Jan	103.75	103.65	103.80	103.30
Feb	103.15	103.20	0	0
Mar	102.60	102.60	102.80	102.15
Apr	102.10	102.10	0	0
May	101.65	101.50	102.00	101.50
Jun	101.30	101.18	0	0
Jul	100.75	100.60	100.60	100.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	23.86	24.14	24.11	23.81
Dec	23.79	23.87	23.82	23.64
Jan	23.50	23.56	23.53	23.35
Feb	23.10	23.24	23.21	23.06
Mar	22.87	22.91	22.86	22.72
Apr	22.52	22.58	22.52	22.43
May	22.22	22.31	22.25	22.15
Jun	22.04	22.09	22.00	21.94
Jul	21.83	21.91	21.82	21.78
Aug	21.67	21.76	21.73	21.66

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6995	6961	7005	6905
Dec	7090	7076	7100	6990
Feb	6910	6912	6918	6840
Mar	6565	6570	6570	6520
Apr	6260	6275	6265	6230
May	6075	6065	6075	6030

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1188	1201	1190	1173
Mar	1249	1260	1250	1236
May	1283	1292	1280	1271
Jul	1310	1320	1304	1303
Sep	1338	1348	1336	1333
Dec	1373	1384	1373	1367
Mar	1407	1418	1411	1400
May	1432	1443	0	0
Jul	1457	1468	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	83.80	83.15	84.00	81.75
Mar	88.20	87.05	88.20	85.70
May	90.55	89.50	90.60	88.40
Jul	93.10	91.90	93.20	91.18
Sep	96.40	94.65	96.40	94.00
Dec	98.90	98.00	97.50	97.00
Mar	102.50	101.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.67	8.65	8.74	8.63
May	8.55	8.57	8.64	8.55
Jul	8.52	8.52	8.57	8.51
Oct	8.51	8.51	8.56	8.51
Mar	9.44	9.38	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	62.67	63.15	63.42	62.65
Mar	64.92	65.25	65.44	64.70
May	65.77	66.04	66.20	65.70
Jul	66.65	66.90	67.00	66.55
Oct	65.75	65.85	65.80	65.60
Dec	65.82	65.90	65.95	65.75
Mar	67.00	67.12	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	168.50	165.10	168.80	163.10
Jan	168.10	164.40	168.75	163.00
Mar	168.18	164.25	168.50	163.00
May	167.85	164.00	167.75	163.50
Jul	166.96	163.00	163.60	162.50
Sep	165.25	160.75	162.00	161.00
Nov	158.00	157.75	160.00	160.00
Jan	157.00	156.95	157.00	157.00
Mar	167.00	155.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 21	Oct 18	mnth ago	yr ago
1647.3	1639.9	1646.9	1724.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 18	Oct 17	mnth ago	yr ago
Spot	114.73	114.59	117.82	136.00
Futures	123.86	123.84	124.41	127.46

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	547/4	552/4	554/6	547/0
Jan	559/6	564/0	566/4	559/2
Mar	570/6	574/4	578/0	570/4
May	580/2	583/4	587/0	580/0
Jul	586/6	591/2	595/0	586/4
Aug	591/4	594/0	595/0	591/4
Sep	582/0	582/0	586/4	582/0
Nov	583/2	586/2	590/0	583/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	10.44	19.67	19.75	19.38
Dec	19.63	19.94	19.93	19.56
Jan	19.83	20.11	20.00	19.76
Mar	20.15	20.43	20.44	20.12
May	20.43	20.71	20.75	20.43
Jul	20.71	20.91	21.10	20.71
Aug	20.83	21.02	21.10	20.83
Sep	21.00	21.20	21.00	21.00
Oct	21.02	21.25	21.10	21.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.4	182.4	183.5	182.2
Dec	179.1	179.4	180.7	179.0
Jan	177.9	178.6	179.5	177.8
Mar	176.7	177.1	178.0	176.5
May	174.6	175.1	176.0	174.5
Jul	174.9	175.4	176.0	174.8
Aug	175.0	175.0	176.0	175.0
Sep	175.0	175.0	176.0	175.0
Oct	187.6	188.0	188.0	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	250/4	251/2	252/6	250/2
Mar	260/0	260/2	261/6	259/6
May	266/4	266/6	268/2	266/2
Jul	270/6	271/0	272/6	270/4
Sep	259/2	259/6	261/4	259/0
Dec	255/2	255/6	257/4	255/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	355/0	357/0	360/0	354/0
Mar	358/6	359/4	363/0	358/0
May	347/2	350/4	352/4	346/4
Jul	330/6	336/4	337/4	330/0
Sep	336/4	341/0	336/4	336/4
Dec	347/4	350/4	347/4	345/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.80	74.17	73.75	72.72
Dec	76.65	76.90	76.75	76.07
Feb	75.97	75.97	76.00	75.52
Apr	75.80	75.70	75.85	75.50
Jun	72.67	72.57	72.80	72.47
Aug	70.85	70.00	71.00	70.85
Oct	71.10	71.05	71.65	71.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.17	43.35	43.25	42.45
Dec	42.67	43.00	42.90	42.32
Feb	42.20	42.45	42.40	41.97
Apr	40.87	41.17	41.00	40.70
Jun	45.80	46.05	45.90	45.75
Jul	45.87	46.20	45.95	45.82
Aug	44.55	44.80	44.60	44.45
Oct	41.12	41.35	41.30	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.75	42.65	42.85	[illegible]
Mar	42.47	42.32	42.80	[illegible]
May	43.52	43.47	43.70	[illegible]
Jul	43.95	43.95	44.10	[illegible]
Aug	41.52	41.52	41.55	[illegible]

LONDON STOCK EXCHANGE

Share prices slide as confidence wilts

By Terry Byland, UK Stock Market Editor

SUSPICIONS that Wall Street may be due for a correction, together with renewed uncertainties over the domestic political and economic outlook, drove UK equities down through the FT-SE 2,600 mark again yesterday. Selling pressure, moderate at first, gathered pace later when stock futures turned easier and the new session in New York opened with the Dow Average sharply lower.

The FT-SE Index ended the day 25.4 down at 2,575.7, virtually the lowest point of the day. London put little faith in Wall Street's surge to a new Dow peak on Friday. UK shares opened lower and, brushing off a momentary attempt to regain the Footsie 2,600 area, gave ground steadily as the session moved towards the time for the opening of the Wall Street market.

Account Dealing Dates		
*First Dealings:		
Oct 14	Oct 28	Nov 11
Option Declarations:		
Oct 24	Nov 7	Nov 21
Last Dealings:		
Oct 25	Nov 8	Nov 22
Account Day:		
Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 8.30 am two business days earlier.

The latest UK public opinion polls, published last weekend, showed the opposition Labour party with a seven point lead over the governing Conservative Party. Two economic reviews, the Confederation of British Industry's distributive trades survey and the quarterly report from the London Chamber of Commerce and Industry, gave only cool support for economic optimism. Mid morning brought the latest official data on UK retail sales, with September annualised volume 0.7 per cent down.

Early trading was featured by low trading volume as the pension funds and other big institutions backed away in the face of the generally negative mood in the stock market. It was, however, very difficult for them to sell stock in any size without accepting larger discounts than they were prepared to take.

Water and electricity stocks were marked down on the political uncertainty. The gloom on the retail front brought falls in the high street store groups, although selling was no heavier in this sector than elsewhere in the market.

The bid sector traded more cautiously as dealers awaited a new move in the Ultramar takeover situation. The stock market remained convinced that Ultramar will be taken out, but perhaps not by Lasmo and almost certainly at a higher price than Lasmo has offered. By the end of the session, the market resounded with suggested names of a counter bidder for Ultramar.

Blue chip stocks were unsettled by London's nervousness regarding Wall Street. Mr Peter Thorne, strategist at Nikko Securities, warned that Wall Street's recent strength "is unlikely to continue" in view of perceived worries about inflation in the US.

Consequently, London was poised for flight when New York opened and the Dow Average swiftly shed 18 points. London's blue chips quickly reacted, ICI replacing a small gain with a loss and Glaxo, Shell, BP, Reckitt & Colman and Rank Organisation all settling lower. The weakness was emphasised by a rapid narrowing in the premium on the FT-SE December futures contract.

Seaq volume was moderate at a final total of 367.6m shares compared with 551m on Friday, with Asda nil-paid contributing 40m to yesterday's total. But business increased in the second half of yesterday's session when the slide in share prices also gathered speed. In early trading, when much of the significant institutional business is normally transacted, Seaq volume was thin and the 100m share total was, unusually, not reached until after 10.00am.

The Electricity Package weakened 40 to £2768.

Maiden recommendations from Panmure Gordon's new "Dividend Watch" service comprised a "buy" for Royal Bank of Scotland, up 2 at 183p, and a "sell" for Midland Bank, 3 easier at 257p.

Turnover in Asda "new" reached 40m shares, with the nil-paid finally ½ cheaper at 5¾p; the old shares held at 41p on turnover of only 2m.

Revived speculation that Philip Morris, the US foods to tobacco group, is set to launch a bid for one of the big UK food companies helped United Biscuits close 3 ahead at 397p, after 400p, and Northern Foods rise 6 to 571p.

The oil discovery in North Sea block 29/2a gave a boost to all the participants in the well. Enterprise, with a 19.4 per cent stake, initially rose to 547p before settling unchanged at 542p, while Hardy Oil, with 10.6 per cent, firmed 2 to 187p. Ranger Oil, with 14.5 per cent, gained 5 to 478p.

An agency cross of 3.3m shares boosted turnover in Clyde Petroleum to 6.7m but the stock price was little changed at 105p.

Shell (turnover 2.5m) and BP (3.8m) dipped 4 apiece to 530p and 348p respectively.

The retailing sector largely retreated yesterday in the wake of the September survey of distributive trades by the Confederation of British Industry.

Electricals and clothing sales were among those singled out as poor performers in the survey. Dixons slipped 6 to 253p while Marks and Spencer lost 5½ to 277p. Storehouse eased 3 to 109p and W.H. Smith shed 6½ to 442½p as book sales were also seen as slow.

Pentland dropped 8 to 110p after disappointing results from Reebok, the US sports shoe maker in which Pentland has a 13 per cent stake. Pentland has enjoyed a steady rise since July, and yesterday's fall leaves the price at the level of three weeks ago.

Full year results from Amber Day helped the stock push 5 higher to 125p. Analysts were particularly impressed with the performance of the discount clothes chain What Everyone Wants. Profit-takers took 5 off Sears, leaving the shares at 98p. The stock last week ran up from 93p on a recurrence of vague bid talk.

A full-year loss of £3.27m (compared with a profit of £166,000 last time) from Aberdeen Steak Houses was largely the result of an exceptional debit of £3.2m. The dividend was passed and the shares fell 5 to 25p.

Property group Scottish Metropolitan continued the decline sparked off last week by poor figures and fears of a rights issue. County NatWest this morning publishes a sell recommendation warning of further nervousness ahead for the stock. The shares slid 12 to 75p yesterday, making a two-day drop of 43p.

Guinness weakened 15 to 1023p as LVMH, the French luxury goods maker in which Guinness has a 24 per cent stake, said it intended to make a series of acquisitions.

Sentiment in Glaxo was bruised by the revelation that the company is starting legal action against a second North American maker of generic pharmaceuticals over patents on Zantac, Glaxo's best-selling drug. Analysts said the move was an indication that generics makers thought Zantac's patent protection was weak. The stock was also hit by profit-taking after Friday's record close. Glaxo relinquished 16 to 1423p.

Traders and analysts were at a loss to explain the Courtaulds rise of 7 to 495p, one of the best performances in the Footsie yesterday. There was some bidding for the stock in Inter Dealer Broker screens, where trading is anonymous, and final volume was above average.

Cable and Wireless dipped 10 to 563p, albeit in relatively thin trading, after Kleinwort Benson shifted its stance on the stock from buy to hold and lowered its profits forecast for the year ended March 1993. Kleinwort now expects C and W to achieve pre-tax profits of £795m, down from its previous estimate of £850m.

Mr James Dodd, telecoms guru at Kleinwort, cited increased capital expenditure and competitive pressure on C and W's Mercury division for the downgrade.

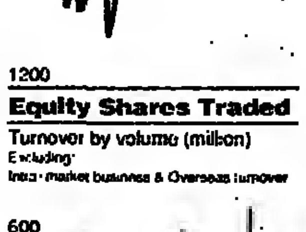
P & P shares collapsed after the profits warning, closing 50¼ lower at 50¼p.

British Aerospace was supported, the ordinary shares ending a penny better at 381p, just above the rights issue price of 380p. The nil-paid closed 1½ down at 2½p on total turnover of 4.1m.

MARKET REPORTERS:
Daniel Green,
Joel Kibazo, Steve Thompson.

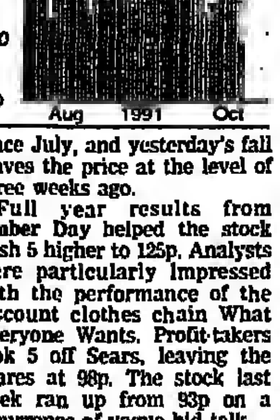
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 29.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Focus shifts to Lasmo

THE BID battle for Ultramar rumbled on, with Lasmo shares strengthening 6 to 321p after confirmation of oil and/or gas discoveries in the North Sea and in Louisiana, US.

Also driving Lasmo higher was a story that British Gas, rumoured in recent weeks to be one of the front-runners to bid for Ultramar, may be about to make a takeover offer for Lasmo.

The market took the bid stories, which first emerged last Friday, very seriously. If Gas does bid it would not be the first time it has taken a long hard look at Lasmo; in 1988 Gas launched an unsuccessful market raid on Lasmo shares and then quietly withdrew.

Ultramar yesterday gave a detailed rejection of Lasmo's bid after receiving the official offer document.

Another story in the market yesterday was that a consortium was being formed to break up Ultramar's assets. It was rumoured that SHV's sale last Friday of its 9.14 per cent stake in Burmah-Castrol for approaching £100m was part of a plan to involve the privately owned Dutch company in the break-up of Ultramar.

Ultramar shares slipped 3¼ to 347½p on turnover of 4.1m as short-term speculators took profits. British Gas, upset by political and regulatory worries, declined 5 to 256p.

Costain hurt

A severe downgrading by UBS Phillips & Drew inflicted the latest damage to a Costain Group share price which has fallen relentlessly since mid-year. The stock closed yesterday at an all-time low of 55p, a far cry from the 220½p the shares reached in March this year and the 358p recorded during the summer of 1987. Turnover in Costain totalled 1.5m shares.

The building team at UBS pencilled in a series of provisions totalling £40m, which it estimated would leave the building-to-mining group with a net loss of £30m for the current year.

Mr Khalid Nazir at UBS said he estimated the group would write down £20m for housing land, £10m on losses incurred in the Channel tunnel and £10m for commercial property.

UBS similarly pencilled in Channel tunnel-inspired provisions of £10m for the other UK contractors involved, namely Taylor Woodrow, Tarmac and Wimpey. Taylor Woodrow shares held at 163p, but Wimpey receded 4 to 149p and Tarmac retreated 3 to a five-year low of 165p.

In a gesture of belief in Costain's long-term prospects, Mr Tom Slee, the finance director, was said to have bought 2,500 Costain shares yesterday, hard on the heels of the recent purchase by Mr Peter Costain, chief executive of Costain, of 20,000 shares.

Rank sold

Rank Organisation encountered heavy profit-taking as the sharp rises of the last few days prompted analysts to tell clients to sell into the strength.

Yesterday it was the turn of Hoare Govett, adding its voice to that of County NatWest. Mr David Grimbley at Hoare said the recent firmness in the Rank share price had been overdone. Recent talk that Rank might sell its stake in Rank Xerox, its joint venture with Xerox, of the US, was sparked last week by a visit to London of Xerox executives.

Investors also noted that Rank yesterday raised its holding in A. Kershaw by 4.25 per cent to 86.18 per cent. Rank issued 1.1m new shares to pay for the further stake, which contributed to the fall in Rank's share price from 680p to 654p. Kershaw added 5 at 480p.

The utilities' sensitivity to opinion polls was amply demonstrated as the shift to Labour in one Sunday newspaper poll triggered a wholesale markdown of the electricity distribution stocks and the water companies.

Thereafter activity fell away markedly, a dealer said, with waters showing particular reluctance to rally. South West Water were badly mauled, closing 13 down at 340p, while Southern dropped 10 to 326p.

FINANCIAL TIMES STOCK INDICES

	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.25	86.48	86.56	86.64	86.72	79.07	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.38	96.59	96.59	96.67	96.47	88.86	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1978.2	1995.5	1988.8	1980.5	1973.5	1654.7	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	170.2	165.3	164.3	163.9	166.5	169.0	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2575.7	2601.1	2588.7	2579.0	2576.7	2127.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1158.75	1165.60	1161.08	1158.25	1158.72	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)

●Ord. Div. Yield	4.70	4.66	4.71	4.73	4.73	5.79
●Earning Yld %(full)	7.44	7.37	7.42	7.47	7.45	12.07
●P/E Ratio(Net)(*)	10.80	10.95	10.83	16.73	16.76	10.04
SEAQ Bargns 4.45pm	23,651	23,449	24,612	23,960	24,831	19,004
Equity Turnover(£m)*	-	970.84	961.21	897.72	910.89	650.80
Equity Bargains†	-	23,315	23,705	23,795	23,382	18,448
Shares Traded (ml)†	-	411.6	546.9	458.2	414.5	393.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 15.94

Ordinary Share Index, Hourly changes Day's High 1998.0 Day's Low 1977.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1993.2	1995.4	1995.5	1992.0	1988.8	1988.1	1986.9	1986.0	1980.5

FT-SE 100, Hourly changes Day's High 2601.8 Day's Low 2575.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2596.8	2598.5	2599.5	2592.5	2587.0	2585.7	2584.7	2583.6	2577.0

FT-SE Eurotrack 200, Hourly changes Day's High 1163.93 Day's Low 1158.60

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1162.83	1163.70	1162.64	1162.64	1162.22	1161.40	1159.79

GILT EDGED ACTIVITY

Indices*	Oct 10	Oct 17
Gilt Edged Bargains	69.1	77.4
5 - Day average	75.9	80.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index:
Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
AGT	38	494	-12
ASDA Group	7,500	41	
Abbey National	1,800	288	
Albert Fisher	1,900	93	+1
Allied-Lyons	711	605	-4
Amstrad	3,500	32½	-1½
Anglian Water	940	361	-9
British Gas	3,800	256	-5
British Land	321	297	+1
BP	3,800	348	-4
British Steel	1,900	112	-1
British Telecom	2,300	388	-3½
Burmah Castrol	453	924	-4
Cable & Wire	965	562	-10
Cadbury	1,800	425	-2
Calor Group	138	748	
Coats Viyella	1,400	194	
Comm. Union	425	480	-10
Lucas	441	161	+1
Marks & Spencer	1,600	277	-5½
Midland Bank	1,100	257	-5
NFC	898	219	
LASMO	837	321	+6
London Elect.	138	357	-5
Sears	2,800	98	-5
Shell Transport	3,000	530	-4
Ultramar	4,100	347½	-3¼
Unilever	1,100	798	+5
Wimpey	281	149	-4
Yorkshire Elect.	180	298	-5
Yorkshire Water	594	372	-8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADED options volumes were down on last week's levels as dealers took the opportunity to roll over October positions into January, writes Joel Kibazo.

The most active stock option was Hanson with 2,903 lots dealt. Of that total, one house was responsible for a trade of 1,600 November 200 puts bought at a penny.

The day's total turnover of 24,476 was characterised by a certain amount of profit-taking and the closing of the October series options, which expire tomorrow, and the opening of January options.

Ultramar was the next busiest trade with a total of 2,178 lots dealt, followed by Scottish Power, with 2,010 lots traded - with the 1,000 as the busiest.

In the final minutes a UK house bought 1,000 October 356 J. Sainsbury puts at 3½p.

On the Liffe, trade was affected by weak dealing in the gilts and bonds markets, along with a poor Wall Street opening. A lack of interest from the major institutions was also noted. Having been higher for most of the session, December's premium eased to close at some 4 points above estimated fair value of around 35.

December closed at 2,611, a premium of 36, with a total of 5,210 contracts traded.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (81).
BRITISH FUNDS (2) Treas. 2pc I-L 1992, Tr. 2pc I-L 1994, AMERICANS (1) Colgate-Palmolive, BANKS (3) Fuji Bank, Mitsubishi Bank, Nat. Aust. Bank, BREWERS (3) Highland Dists., Kirin, Wolv. & Dudley, BUILDINGS (1) Macnders (John), CHEMICALS (4) BTP, Cairo, Canning (W), Jeyes, STORES (5) Amber Day, Coles Myer, Etam, Lloyds Chemists, Sherwood, ELECTRICALS (4) Elec. Data Processing, HK Telecom, Telefonica, Vistec, ENGINEERING (1) Wood (SW), FOODS (3) BSN, Cranswick Mill, Northern Foods, HOTELS (1) Resort Hotels, INDUSTRIALS (21) Airsprung Furniture, B.H. Prop., Betterware Cons. Prods., Brit. Polythene Inds., Bunzl, Capita, Cornwell Parker A, Elan, Glaxo, Granada 7.5p Pf., Hays, Ml. Labs., Medeva, Portmeirion Potts., Reuters, Sidlaw, Silentnight, Sketchley, UDO, Wassall, Worcester, INSURANCE (1) Lloyd Thompson, LEISURE (2) Campari, Grampian TV A, Metro Radio, MOTORS (2) Central Motor Auctions, Kwik-Fit, NEWSPAPERS (2) News Corp., News Int. Spec. Div., PAPERS (1) St. Ives, PROPERTY (1) Burford, TRANSPORT (2) Tibbett & Britten, Vard A, TRUSTS (19) Brit. Assets 6pc Cv Ln 1995, Edinburgh Fd. Man., GT Japan, Murray Split Cap. Zero Div. Pf., Rathbone Bros., River & Merc. Smaller Co's, South America Fd. Warrants, St. James' Place Cap., Templeton Emrg. Mkts., Do. 1pc Ln., OILS (5) Global Natural Res., Gulfstream Res. Canada, Intl. Petm., Ranger Oil, Total B, MINES (6) Antofagasta, MIM, Metana Mins., Minorco, St. Barbara.

NEW LOWS (39).
BRITISH FUNDS (2) Conv. 9½pc 2004 A, Treas. 12¾pc Ln 1992, AMERICANS (1) Allegheny & West., BUILDINGS (3) Costain, RMC, Wimpey (G), STORES (1) Brown & Jackson, ELECTRICALS (2) Amstrad, P & P, ENGINEERING (1) Beauford, FOODS (1) Low (W), INDUSTRIALS (4) Dean & Bowes, Nobo, Sheldon Jones, Whitecroft, LEISURE (3) Midlands Radio, TSW, TVS Ent., PAPERS (2) Serif Cowells, Waverley Cameron, PROPERTY (8) Five Oaks Invs., Greycoat, London Securities, Mickiegate, Rosehaugh, Scot. Metropolitan, SHOES (1) Stylo, TRUSTS (4) IFICO, Jove Inc., Malaysia Cap. Select, OILS (1) Alliance Res., MINES (1) Western & Pac. Res.

LONDON STOCK EXCHANGE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104	94	Treas 10pc 2003	100		9.90	9.86
111	102	Treas. 11½pc 2001-04	108		10.59	10.07
62¾	53	Funding 3½pc '99-04	59		5.84	8.79

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107¾	95	African Dv Bk 11¼ Ln 2016	104		10.63	10.54
102¾	91	Asian Dev Bk 10⅛ pc Ln 2009	99		10.30	10.29
116	105	Inter-Am Dev Bk 12½pc 2003	112		11.07	10.49

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

53	52	Met. Wtr. 3pc 'B'	53		5.66	9.90

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50		3.50	17.00
50	50	Do 6pc 28 Stb. Ass.	50		3	16.00
50	50	Do 4pc Mixed Ass.	50		2	14.00
55	55	Hung. '24 Ass.	55		2.75	13.57
133½	120	Hydro Quebec 15pc 2011	130¼	-½	15.0	11.15

Continued on next page

APPOINTMENTS

Strong & Fisher managing director

■ At STRONG & FISHER (HOLDINGS), Britain's leading sheep skin processor and manufacturer of clothing leathers, Mr Julian D. Dell is to fill the position of group managing director.

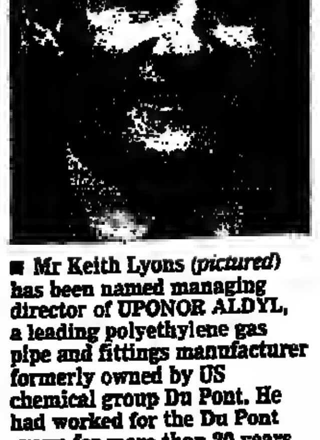
He assumes responsibility for its tanning, hide and skin trading and fellmongering operations, as well as continuing as the group's finance director.

Mr Dell began his career with Tesco in 1976 and rose to divisional director, group management accounting, before leaving in March 1989. He joined Channel Foods as finance director and moved to Hillsdown Seafoods, its parent company, in January last year as finance director.

He became finance director of Strong & Fisher in February this year following the completion of the financial restructuring of the company in November 1990 by Hillsdown Holdings, which owns 70.3 per cent of the former.

■ As a consequence of KORES NORDIC, one of the world's largest manufacturers of typewriter and computer ribbon cassettes, moving its group headquarters from Denmark to England and Germany, Mr Anthony Jackson has been appointed group chief executive. He was chief executive of Kores' operations in the UK.

Mr Kurt Rosskogler remains as chief executive of German operations and is also a member of the group management board.



■ Mr Keith Lyons (*pictured*) has been named managing director of UPONOR ALDYL, a leading polyethylene gas pipe and fittings manufacturer formerly owned by US chemical group Du Pont. He had worked for the Du Pont group for more than 20 years, serving for two periods with the Aldyl pipe business.

■ BEAZER CONSTRUCTION SOUTHERN, one of nine regional companies that comprise the Beazer Construction division of CHB Group, has named Mr Graham Shennan as its managing director.

After nine years with the Beazer group, Mr Shennan left in 1986 to join G. Percy Trentham, where he later became managing director of its construction division. He rejoined Beazer earlier this year upon the establishment of the Trentham division by Beazer Southern.

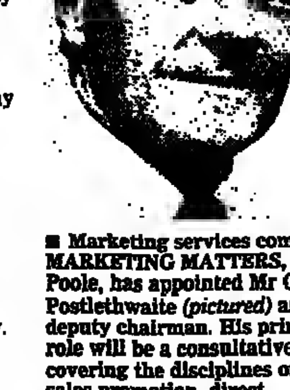
Mr Tony Jackson, 57, deputy managing director of Beazer Construction Southern, is taking early retirement but has agreed to continue his involvement with the company on a consultancy basis.

■ Mr Alan Wood has been appointed managing director of SIEMENS PLC's energy & automation group, which is based in Manchester. He succeeds Mr Bernd Meloch, who has returned to Siemens AG in Germany in a continuing executive capacity.

Mr Wood's former position as managing director of Siemens plc's electronic components group, based at Sunbury-on-Thames, is to be assumed by Mr Philip Tizzard, previously a senior executive with Texas Instruments in this country.

■ Mr Joseph Palmer, until recently group chief executive of Legal & General Group, has become chairman of Laser Richmount, the Enterprise Zone Trust market leader jointly sponsored by Johnson Fry Corporate Finance and Richard Ellis Venture Consultants. It has a property portfolio of some £115m.

Mr Palmer is currently a director of National Power and of the Securities and Investments Board.



■ Marketing services company MARKETING MATTERS, of Poole, has appointed Mr Gerry Postlethwaite (*pictured*) as deputy chairman. His primary role will be a consultative one, covering the disciplines of sales promotion, direct marketing and database management. Mr Postlethwaite was a founder of Cato Johnson, and later he developed the international arm of KLP Group.

■ Leisure and engineering group SUNLEIGH has appointed Mr Keith Griffin as managing director of Associated Supplies (ASL), its golfing and leisurewear subsidiary.

He was managing director of sportswear company Bukta, a unit of French Connection. ASL founder Mr Richard Flower will continue with the company as a consultant.

FINANCIAL TIMES SURVEY

PRIVATE BANKING

Tuesday October 22 1991

The sector grew rapidly in the 1980s as lower taxation helped to create more high net worth individuals, write David Barchard and Norma Cohen. What impact has the recession had on the net worth of individuals? Have private bankers adapted their strategies?

Go-go days have gone

So discreet you might never notice. The facade of the building housing bankers C. Hoare has changed little in decades, and gives no clue to the wealth beyond the door

THE RECESSION of the 1990s has been a sobering experience for the world's wealthy and the bankers who look after their fortunes. Far from the go-go years of the previous decade, which saw an explosion of private wealth, the rich of the 1990s feel they will do well to hang on to what they have.

For these individuals, conservative management has replaced wealth creation as the the lynchpin of their private banking needs.

Private banking is the provision of investment banking services for wealthy individuals. While the services offered are no different from those offered elsewhere within commercial banks, it is the packaging and promotion that sets private banking apart.

Thus, while the wealthy will still need to have their resources managed, the pace of growth in private banking is unlikely to continue as it has over the past few years.

"Last year private banking was very fashionable. Banks were attracted by a business which was growing at between 10 and 15 per cent a year, was fee driven and resistant to economic downturn. This year we are beginning to see a retrenchment. Some players are being forced to turn back to business areas which have less long term potential but offer a more immediate and visible return," says Mr Alan Hogg, Head of International Private Banking at Barclays.

In the UK, most – though by no means all – admit they have been hearing cries of distress from some customers as a result of the recession, and other upsets such as growing losses at Lloyd's of London.

"So far we have not seen much real pain at Lloyd's even though more than 9 per cent of its 'names' bank with us," says Sir David Money-Coutts, chairman of Coutts, but UK private bankers recognise that the worst news from Lloyd's is probably still to come.

Meanwhile, in the US, the recession has forced banks to rethink the uniquely American approach they have taken towards their private banking clients. Banks there have specialised in not simply enhancing wealth, but in helping to create it. This has led to the development of the "highly leveraged individual" – a wealthy individual with substantial loans secured by illiquid holdings such as stock options or commercial real estate.

But the collapse of the US commercial property market and the sharp drop in equities values have forced banks to rethink this approach. US bankers now say that they are refocusing their efforts on more traditional investment products rather than designing new credit products for their private banking customers.

Because the private banking market is precisely that – private – the exact size of the market is difficult to calculate exactly. But Citicorp estimates that some three million individuals worldwide can be classified as very wealthy, and that these have a total of $7,000bn in assets under management.

But despite the recession, and its ensuing effect on the portfolios of the wealthy, institutions of all sorts are still lining up to get into the business. Mr Ian Woodhouse, private banking consultant with Price Waterhouse, said: "Banks, fund management groups and other financial institutions with global capacity, related product expertise and significant distribution networks are lining up to buy traditional private banks that cannot fund the heavy investment and new skills needed to compete in the changing environment."

Mr Woodhouse argues that aside from the effects of recession, private banking services are being reshaped by a more sophisticated customer base and the increasingly global nature of their investments. Thus, the cost of providing private banking services is rising, forcing some to reconsider whether they want to be in the business at all.

Aside from the effects of recession, private banking services are being reshaped by a more sophisticated customer base and the increasingly global nature of their investments. Thus, the cost is rising

Smaller players may find the going tough as the 1990s advance. "Private banking calls for increasingly large investments in systems, especially for global business. It eats up an awful lot of capital. I think the smaller stand-alone banks will find it hard to keep up," says one private banker in a large international group.

Meanwhile, merchant and investment banks are pushing their way into the private banking sector. In the US, Merrill Lynch and Goldman Sachs have bolstered their trust operations which form the base of private client services. While they are hampered in the US by the inability to make loans of their own, some investment banks have found other arrangements to extend credit services.

And, while they have not yet become a formidable force, analysts view the investment trust and mutual fund managers as the next potential source of competition.

The growth of genuinely international private banking has been spurred by the disappearance of exchange controls worldwide. "The volatility of the US dollar in the 1980s for example has encouraged many rich Americans to manage their currency risk by seeking private banking services in London or Switzerland," says one London private banker.

Perhaps this accounts for the surprising fact that some banks report a steady stream of Latin American private client business into London. Until now customers of this kind have generally preferred to stick to the western hemisphere, Miami or New York, and US dollar accounts.

Private banking has also benefited from the general revolution under way in the banking industry, and the growing tendency to put a price tag on banking services rather than pay for them by cross-subsidising between different types of business. "The more sophisticated customer is more willing to pay for financial advice," says Sir David.

In other words, the personal customer tier of private banking is growing strongly as wealthy individuals seek better service and wider choice of products. This process can extend quite a long way down the ladder. Barclays, the largest UK bank, is offering branch customers with incomes of £40,000 or more a year a private banking service which is in practice an investment; and insurance sales operations to slightly up-market customers. In the US, Chase Manhattan has taken a similar approach, establishing a tier of "preferred" banking client.

International private banking remains vulnerable to political upsets. The Iraqi invasion of Kuwait was followed by the flight of Arab money from the Arabian peninsular to Cairo and London, traditionally safer havens.

Arab customers also began to appreciate the advantages of off-shore trusts in places like the Channel Islands, which were not subject to the blocking of accounts during the emergency.

The process has helped some private banking operations of high street clearers. "An account with Barclays or Lloyds doesn't attract as much attention as one with a glamorous private banking specialist name," says one banker.

The recession and the Gulf War have caused many clients to lower their expectations. "There is more emphasis in 1991 on security and safe custody than there was a year ago and less expected in the way of high returns," says one banker. "People are now happy to do nothing. They are more risk-averse, even the younger clients." Indeed, in the US, where the financial woes of the banking system have been front-page news, bankers report a "flight to quality" to those institutions whose capital is well above regulatory minimums.

Other new markets may arise in a few years. It looks like being a few years before much private banking is done in eastern Europe or the Soviet Union, but there is a whisper among some banks that a trickle of substantial private banking customers has started to come out of China. Relationships established now may some day produce rewards.

Traditionally, private banking was small banking business par excellence. Many private bankers today stress the advantages of belonging to a large group which can provide sophisticated treasury products and offer corporate finance to the entrepreneurs among their clients.

But harmonising the skills of the private banker with those of a global banking corporation can be tricky. "You don't want to be too big and reach a point when the name and culture of the bank can be hard to maintain," says Sir David Money-Coutts.

The desire for private banking with strong local roots has helped some new entrants into the market. Adam & Co, a Scottish private bank set up in Edinburgh in 1984, has built up a strong client base in less than a decade, and without the back office functions that a larger group could provide, partly it seems because wealthy Scots wanted a distinctively Scottish bank to look after their money.

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Leading centres: **UNITED KINGDOM**

Gloomy talk in London meeting rooms

THE RECESSION in the UK economy has delivered an unexpectedly sharp blow to private banking business in London. In genteel meeting rooms of private banks in London, conversations between clients and account executives this year are haunted by the worries of an economic downturn: illiquid assets, particularly in the property market, company failures, and the prospect of a possible Labour government.

Account executives are resigned to a year or two in which their clients will want the accent to be on wealth preservation rather than wealth enhancement. Clients may have to be shared more than in the past, but this partly reflects their perception that good banking services are more necessary than ever.

"Now is the moment to have a good bank behind you, someone who can bank for both the man and his business. Busy people are still not always getting trustworthy advice," says Marcus Gregson, chief executive private banking at Samuel Montagu, the private banking offshoot of Midland Bank.

While some banks say they have already had clients who have been hit by losses at Lloyd's, others have not. Coutts, with about 9 per cent of Lloyd's "names", says it has had few difficulties so far. Others even detect a counter-cyclical revival of interest in becoming a 'name' at Lloyds.

Yet the depression has not blunted the general belief that UK private banking is likely to get better as the 1990s advance.

Apart from the steady long term rise in personal wealth in the UK, many bankers point to the advantages London and the UK enjoy in private banking.

"London is a more natural international private banking centre than New York or Switzerland, for several reasons. It is already a big international banking centre, with a brilliant range of treasury products available.

"In Jersey it has one of the cleanest offshore centres in the world very close at hand. It has got the infrastructure, it is less expensive than Switzerland, and has a good real estate market. And it is something of a tax haven," says Mr Hap Russell of Citibank's London private banking operation.

But Barclays, the largest UK banking group, which has recently begun expanding its private banking operations, believes a shake-out in the market may not be far away. "We are beginning to see a retrenchment," says Mr Alan Hogg, Head of International Private Banking at Barclays.

'Clients often have no idea how much the stocks and shares they own are worth, and are astonished by the values that come out'

In a business where new customers are usually discovered through personal recommendation, the Big Four clearing banks have the conspicuous advantage of being able to expand private banking business by identifying new private banking customers from their existing branch customer bases.

"Clients often have no idea how much the stocks and shares they own are worth, and are astonished by the values that come out," says an account executive at Lloyds, one of the market leaders in the business.

He cites other reasons why wealthier individuals, with private fortunes of upwards of £100,000, might want to switch from their local branch to the more comfortable, but also far more expensive seclusion of his office. "We can offer the ability to keep wealth away from local eyes which can lead to a stream of begging letters from local charities – and sometimes worse," he says.

Clients may range from an old lady who has inherited several hundred thousand pounds in liquid assets and is content to live on £12,000 a year, to retired City executives with vast fortunes who want to pay others to look after the millions they have stashed away, while they themselves spent the week fishing.

The entrepreneurial failures and collapses of the late 1980s have generated private banking opportunities as well as corporate finance problems. "You usually find that the entrepreneur involved ends up with at least several hundred thousand which needs managing," says one bank.

In dealing with all these different customers, banks try to build up a strong personal relationship. Business usually goes to the private bank that gets the first telephone call for advice.

At Lloyds, asset management extends into every financial nook and cranny, as befits a bank noted for its cost-consciousness.

"I always say: 'Don't miss the small opportunities'. We always go for them, unless the client objects," says Wynford Johns, manager of UK private banking at Lloyds. "These would include a full £10,000 holding of premium bonds, which can be expected to yield small but useful tax free returns every month; a full entitlement of national savings certificates, and a Tessa account."

"Brokers try to flog you things, good advice costs a lot less," says Sir David Money-Coutts, chairman of Coutts & Co.

During the boom years of the 1980s, private banking was very fashionable. The last decade has seen a flow of new entrants to the private banking market. In 1984, Adam & Co set up in Edinburgh, the first new bank in Scotland for 140 years. Adam has grown strongly and is now believed to have a client base of around 2,000.

"We were the best capitalised new bank for a long time," says Mr Ian Dalziel, director.

Eighteen months ago, Midland set up its new UK private banking operation in Samuel Montagu, which is now believed to account for a fair slice of the £16bn of private banking assets under management with the group. Mr Gregson says Midland is looking for active customers, rather than just wealth-preservers, to whom it can offer Treasury and corporate finance products from the group.

The larger players expect private banking business to grow steadily in the UK throughout the 1990s. A recent study by Price Waterhouse suggested the business is probably set to expand by 10 to 15 per cent a year.

Is it going to be a market place in which small specialists thrive, or one dominated by a few international banks? The UK clearers, perhaps not surprisingly, believe that the future lies with banks able to devote sufficient amounts of capital and human resources to the industry.

In the past, private banking was not a capital-intensive business, but the need to invest heavily in systems may have changed this. Smaller banks, the argument goes, cannot provide the services a large group does, and they are also more easily blown off course by a few bad decisions. It is not only the large British banks which stand to benefit if this is true.

Nomura is already marketing into the UK, offering private banking services out of Switzerland.

The combination of Swiss banking and Japanese performance sounds attractive, but the UK banks believe British customers will hesitate before switching their money so far from home.

One important question for the London market is whether the status of the Channel Islands and Switzerland will change vis-a-vis the European Community, although there is the precedent of Luxembourg, already a member state.

Another more unfathomable question is what action private banking clients should take now against the possibility of a Labour government taking office after the next general election, and introducing policies which are likely to hurt the non-resident, non-domiciled wealthy.

"It figures in almost every conversation we have with our clients at the moment," says one banker.

David Barchard

Norma Cohen explores how far the forelock tugging will go

Doing the creampuff stuff

SELLING private banking services to American clients is an art. Not only is there fierce competition to manage the assets of America's wealthy, but private banking clients themselves are highly sophisticated shoppers – even more so than their European counterparts, bankers say. After all, America's consumer revolution has penetrated particularly deeply into the sale of financial services, where the wealthy pay the keenest attention to the small print in the contract.

Over 3,000 US banks are trying to sell private banking services to the handful of the wealthiest individuals, making competition very fierce.

Ms Laird Grant, investment manager at US Trust, said the strongest sales pitch any private banker can make would be to talk about returns on investment. Beyond that, it is the bank's ability to service individual client needs that attracts and retains customers. The biggest single source of new business at US Trust, she says, is referrals from existing clients.

Tales abound of the lengths to which banks go to keep their private banking clients happy. "The classic is walking the lady's dog while she's on vacation," said Mr Bill Turner, consultant at Price Waterhouse.

Some banks vigorously eschew such client massaging. "We don't do any of that creampuff stuff," sniffs Mr Jim Somers of NCNB's private bank, who also claims most business comes from referrals. Others concede that highly personalised care is a hallmark of their services.

"There's an art to being able to develop a relationship over time," said Ms Deborah Talbot, head of private banking at Chase Manhattan. In addition to having a wide array of products to offer clients – such as multi-currency custodial accounts – Chase takes particular care, she said, to match clients with a private banker *they can feel comfortable with.*

Bankers agree that the marketing of private banking services must be more subtle than that of mass banking products. Banks do advertise their services in upmarket publications such as Forbes or Town and Country, but the advertisements are intended to reinforce brand-name identification rather than to plug any particular service.

Private seminars in investing in art ... introductions ... family weekends ...

At Chase, for instance, private seminars on investing in art are organised with Sotheby's. Also, Ms Talbot said, Chase uses its connections to expand business opportunities for its clients. "Let's say a client wanted to expand into *Europe. We can provide introductions to the right sort of people for him."*

At US Trust, a host of activities are organised specifically to reinforce client loyalty and to help attract new business. According to Mr John Hover, executive vice president, the bank organises so-called "family conferences" to which entire wealthy families are invited. One of the families will make a presentation to the group about its investment strategy.

Also, the bank organises seminars, such as inviting the chief gemologist from Tiffany and Co to give a chat, as well as inviting experts on trusts and estates – many of whom do business with the bank – to deliver lectures on the latest developments. Recently, US Trust has invited its private banking clients to breakfast "chats" with US Cabinet members. US Trust has also sought to *tap the captive audience of* individuals cruising on the Queen Elizabeth II liner. It has employed an investment professional and a marketing professional to sail back and forth giving lectures.

But the bank, like other private bankers, does more than that. "We recently found a Unitarian minister to marry a client who was here from another country," Ms Grant said. US Trust will do everything from obtaining theatre tickets to delivering cash to children abroad.

Publicly, bankers do not care to dwell too long on the non-financial services they provide for individuals, saying that it is their *expertise in the financial* arena that clients want most.

PRIVATE BANKING 2

David Lascelles explores the impact of the BCCI exposure

A never-ending spiral of fraud

THE Bank of Credit and Commerce International will become an object lesson in how *not* to conduct a private banking operation.

The bank, which was shut down for alleged fraud in July, had become a caricature of private banking, taking to extremes the features other private banks like to market as qualities – a full range of services, utmost discretion, and a high level of persooal attention. If yon were a top-level client of BCCI, its staff would sttend to your every need 24 hours a day.

But on the other hand you might also find that your accounts had been purloined to finance BCCI's latest venture.

Tha 20-year-old bank was founded as the vision of Pakistani-born Agha Hasan Abedi to create a "bridge" between tbe third and first worlds. Much of the bank was geared to perform ostensibly good works, and Mr Abedi was well known for his grand philosophical discourses. But ba was also an influence-seeker, and increasingly he harnessed BCCI to his ambitions to create links witb powerful people, particularly third world leaders.

BCCI was also born out of a banking tradition in the Indian sub-continent which is vastly different from the west's. Mr Abedi built on the assumption that tha bank should take an interest in the families and personal affairs of its clients to create a "full service" in the fullest sense, extending all the way from the most sophisticated international financial transaction, down to the procurement of sexual services.

BCCI's private hanking operations were based on the accounts of exceedingly wealthy individuals from third world countries. They included the ruling families of Gulf sheikhdoms, such as Abu Dbabi (a suhstantial shareholder in the bank), Dubai, Fujeirah and Ajman. There were also prominent Arab husinessmen such as Ghaith Pharaon, and Kemal Adham, the former head of Sandi intelligence, and controversial figures like Manuel Noriega of Panama, now being tried for drug trafficking in the US.

Deposits diverted to plug gaps in BCCI's balance sheet caused by bad lending or by trading losses reached as much as $1.3bn

But this class of client could also he divided into two groups. The first, which included the Ruler of Abn Dbabi, placed large sums of money with the bank, and used it to perform conventional hanking services. A second group, which inclnded Mr Pharaon and Mr Adham, shared in BCCI's ventures by allowing their names to he used as nominees for BCCI's own investments.

For example, eight of BCCI's largest customers were lent more than $1.4bn to enable them to buy shares in CCAH, BCCI's illegal banking acquisition in the US. According to Price Waterhonse, which reported on BCCI, these customers were under no obligation to repay the loans, and were effectively fronting for BCCI. Mr Adham was among the largest recipient of CCAH-related loans with $450m.

Bnt large depositors with BCCI also ran serious risks. Price Waterhouse found that BCCI diverted deposits to plug gaps in its balance sbeet caused by bad lending or by trading losses. Whan tha bank's treasury ran amok in the mid-1980s and buge losses had to be concealed, such diversions of deposits reached as much as $1.3bn.

Some of these were deposits from wealthy clients which were never recorded as having been made. If these depositors songht to withdraw their money, the funds were simply sipboned out of another account, creating a never ending spiral of fraudulent transactions.

Although BCCI's private banking services were supplied in its own name, thay were actually conducted through a Cayman-based affiliate called ICIC. The precise nature and ownership of ICIC has yet to be established, but it appears to have been the part of the bank which handled the accounts of the super rich with hundreds of millions of dollars to deposit. Though located in the Caribbean banking haven, it was actually managed from BCCI's headquarters in the City of London.

In the end, of conrse, all these people lost huge sums of money when the bank was shut down with losses which have still to be calculated hut clearly run into the billions of dollars.

All this, however, took place at the more lurid end of the bank's operations. There was a different and more humdrum aspect to BCCI's private banking business which was more legitimate. The management of investments and deposits for private individuals took place as normal, and there was also a very active business servicing the accounts of Asian entrepreneurs in Europe – accounts where the personal and business interest ran in close parallel. A large part of this service inclnded letters of credit, international money transfers and tax services.

The big question for the private hanking business is whether BCCI has damaged its image. In ona sense the answer must he yes. There always lurks a suspicion in the public mind that private banking is linked to the furtherance of objectives such as tax evasion, money laundering and fraud. This will have been reinforced by the revelations from BCCI.

It also seems likely that banking supervisors will he taking a mnch tougher line from now on over private banking transactions which have a questionable air.

On the othar hand, it is widely recognised that BCCI is untypical of the banking business in many senses. It would be wrong, therefore, to draw wide inferences. Its dramatic demise may evan help to strengthen the sound and legitimate end of the market.

Picture: LYDIA VAN DER MEER

BCCI rocked public confidence. Investors and employees in particular were losers – scenes outside the High Court in July say it all

Leading centres: **LUXEMBOURG**

The Grand Duchy remains confident

AFTER 21 years, Deutsche Bank, one of the first foreign banks to set up in Luxembourg's capital, is moving out.

In a year which has already been blotted for Luxembourg by the BCCI collapse and the country's first ever strike of banking employees, this is the sort of line to strike terror into tbe bearts of tbe Grand Duchy's banking authorities.

In fact, the Deutsche Bank move is good, not bad news. The group is poised to take up residence in space-age headquarters on the Kirchberg plateau, a short drive from the city centre across one of the capital's many gorges.

For Dr Ekkehard Storck, managing director of Deutsche Bank's Luxembourg operation for the last two decades, this is simply the most obvious proof that private banking has a real future in the Grand Duchy, in spite of the fact that most banks were set up primarily to exploit the market for Eurobonds.

"It's still more profitable to syndicate a big loan than to work with 100,000 customers in the private husiness," says Dr Storck, but he adds: "I think [private banking] is the business of the 1990s."

Tha popularity of Luxembourg as a private banking centre may also be indicated by the increase in minimum entry levels for Luxembourg depositors – which have reportedly risen from £100,000 to as much as £500,000 for a full discretionary service.

The increase in minimum entry levels have reportedly risen from £100,000 to as much as £500,000

Part of the reason most of Luxembourg's 180 or so banks are now pinning their hopes on private clients is that the syndicated loan business has been somewhat sluggisb recently. Latest figures from the Institut Monetaire Luxemhourgeois (IML), the Grand Duchy'a banking supervisor, show that overall net profits for Luxembourg's banks slipped from LFr23.9bn to LFr19.1bn in 1990.

Although that was partly the result of higher provisions against loans to the Soviet Union and eastern European countries, slowing Eurobond business was also blamed.

In addition, tha flow of banks estahlishing Luxembourg operations is drying np as the pool of eligible institutions is gradually exhausted.

For many in the banking community, however, this is no bad thing. "The aim is not to have a huge number of banks," says Mr Lucien Thiel, general manager of the Luxembourg bankers' association. "Instead of a quantitative increase, we want a qualitative increase."

Bankers are also conscious that Luxembourg may be losing its artificial attractions as a banking centre, at least compared with other centres. Withholding tax on interest income was recently cut in neighbouring Belgium, for example, and there are rumours that harmonisation of EC banking regulations will put in jeopardy the strict banking secrecy rules which are always cited as one of the Grand Duchy's principal attractions.

There is, bowever, an increasing perception that it might be better not to stress secrecy as Luxembourg's principal private banking attraction.

"We don't want to attract customers only witb these arguments," says Mr Thiel. "We hope that one day we will he able to attract customers without it."

Mr Pierre Jaans, the IML's director-general, goes further, implying that the country's apparent head-start in this field has been exaggerated. "Luxemhourg is very often taken as a sbowpiece of banking secrecy," he says. "Banking secrecy is good bere, but it isn't bad in a country like Germany or Belgium."

In sbort, even if hanking secrecy laws are retained – and the Luxembourg government is pledged to defend them – the bankers would like to emphasise otber strengtbs which would be less easy to sweep away with a stroke of the legislator's pen:

■ Know-how. After more than 20 years as a European banking centre, Luxembourg can justly boast of its high level of expertise. The challenge now is to make sure that expertise is properly channelled.

Mr Jaans stresses, for example, that tbe banks have to improve their prodnctivity and the quality of service on offer to compete with other equally attractive European centres.

Some 805 investment funds were registered by the end of last year, of which 618 qualified as Ucits

■ Prodnct exploitation. Having succeeded in cornering a large part of the Eurobond market, Luxembourg – assisted hy tha swift legislative action of the Grand Duchy's government – has turned to developing other financial prodncts aimed at the private client.

In particular, Luxembourg was quickest to adopt EC legislation on the clumsily named Undertakings for Collective Investment in Transferable Securities (Ucits) which allowed investment funds to be sold to residents of other EC countries.

According to the IML, some 805 investment funds were registered in the Grand Duchy by the end of last year, of which 618 qualified as Ucits.

"Other centres which have aggressive and declared ambitions in that field are not making much progress," claims Mr Jaans.

These are the strengths Luxembourg hankers claim will endure when the bad publicity from the July collapse of BCCI has long evaporated. BCCI registered in the Grand Duchy nearly 20 years ago and the IML, while sympathising with the bank's stricken employees and depositors, says the collapse was the legacy of a more lax supervisory regime which was not unique to Luxembourg and in any case has long since been tightened up.

Certainly there was no apparent rush to withdraw funds from other Luxembourg-registered banks. Indeed, tha banking community is convinced that if, in the months and years ahead, there is any "flight to quality" in the world of private banking it will be into rather than out of the Grand Duchy.

As Mr Thiel of the bankers' association puts it: "The volume and the number of small- and medium-rich will increase. This husiness must have a future."

Andrew Hill

Leading markets: **JAPAN**

A mass market business

THE Indnstrial Bank of Japan's involvement in recent financial scandals and its extensive loans to a restaurateur in Osaka shocked the financial commnnity both within and outside Japan.

In the late 1980s, due to the low cost of capital, margin business with the larger companies became thinner for the Japanese banks. The new strategy was to shift the focus to a lucrative commission and fee husiness, targeting wealthy individuals.

Eager to make inroads on the market, IBJ set up a private banking division in 1988. The bank admits lax screening guidelines led to its involvement in the scandal in which the bank lent up to Y240bn to Ms Nui Onoue, who faces charges of procuring illegal loans to fund stock market investments.

'They were just unlucky,' says one banker of the scandal-struck IBJ

However, most Japanese bankers are sympathetic. "They were just unlucky," says one banker. IBJ, Japan's most prestigious bank, had not had tbe connections or skills to expand into personal banking, yet was under great pressure to do so as other banks rushed to target the retail market.

In spite of the focus on high wealtb individuals, private banking in Japan remains quite different from that in the US and Europe, as segmentation of retail banking between wealtby and "ordinary" individuals does not exist.

In a society in which more than 90 per cent of people consider themselves middle class, Japanese banks bave approached retail banking by using mass marketing strategies. Foreign bankers compare Japanese banks to supermarkets as opposed to the boutiqne image of the private banks in the west.

Japanese hanks can only offer high net worth individuals the same instruments as "ordinary" clients. The banks try to differentiate services by giving small discounts on fees and commissions, and offering advice on tax.

Private banking had not been recognised until recently in Japan for several reasons. The wealthier individuals have tended to hold their assets in stocks and land, and have few liquid assets. They thus look for ideas on tax avoidance rather than new forms of investmeots.

Investmsnt instruments a bank can offer are limited due to financial regulation which prevent banks from entering the retailing securities.

Citibank, however, has succeeded in establishing its private banking division in Japan. It is one of the few foreign banks whicb has cbosen to jump into retail banking in Japan, and now has 16 retail branches in the country, where other foreign banks such as Chase Manhattan Bank have made unsuccessful attempts at breaking into the private banking business.

Citibank has managed to attract high net worth individuals – tbose with about Y200m in investable assets – frustrated with being treated the same as tba "ordinary" customer. Its highly qualified staff have also helped create a glossier image of private banking.

Citibank's private banking division manages assets of around Y200bn to Y300bn. It has about 2,000 clients, of whom 70 per cent are presidents and owners of small and medium sized companies which have a relatively large cash flow. About 20 per cent are wealthy professionals sucb as doctors and lawyers.

Mr Yuji Nishiura, vice president of Citihank's private banking division, aays the bank does not intend to increase clientele in the private banking division, as tailor-made service would be impossible.

The bank has taken a long-term view of the private business. Mr Nishiura says clients are not ready to deposit a large chunk of their assets in a foreign bank. The strategy is to develop a relationship by managing and following np cash flow business, such as overseas remittances.

Citihank's strength lies in the large amount of information coming in from its global network. Mr Nishiura says domestic institutions lack the global angle on business, and cannot provide information of overseas investments and tax laws.

Many Japanese banks which entered the private banking business in the late 1980s have been knocking on Citibank's door in order to find out what services the bank is offering. "Tbere have been several reqoests for interviews from various financial institutions including insurance companies," says Mr Nishiura.

The sharp increase in the number of high net worth individuals reflects the rise in asset values

The Bank of Tokyo, which recently set up a private banking department, says the number of high net worth individuals has increased sharply, reflecting the rise in asset values and the fact that there is high demand for products.

One problem the personal banking business faces is the loose legal structure, which leaves defining the fine line between tax avoidance and evasion up to the interpretation of tax authorities.

Since private banking services offered by the Japanese banks have tended to centre on advising clients on tax avoidance schemes using legal loopholes, the ambiguity has created problems.

A recent probe hy anthorities into tax reports of Mr Tadao Yoshida, the president of YKK, the world's largest maker of zip fasteners, highlighted the legal obscurity and large discretionary power of tax authorities.

The tax agency argued that Mr Yoshida had failed to declare Y15bn in taxahla incoma, pointing out that Mr Yoshida's reporting of an investment of 70,000 shares in the privately-held YKK into a related asset management company, Yoshida Kosan, undervalued the shares.

While some contend that Mr Yoshida had simply transferred shares in his own company at a value based on the assessment for inheritance tax, tbe incident sent jitters through the financial community.

High profile figures have become wary and are more reluctant to use private banking products. And although a large demand still exists, especially for prodncts involving off-shore investments, some foreign banks whicb do not want to be identified with the shadier connotations of private banking, have chosen not to enter the market.

Emiko Terazono

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Leading centres: UNITED STATES

A shift back to traditional ways

BY ALL accounts, the flavour of US private banking has been decidedly different from that of its European counterparts. It has concentrated with equal fervour on wealth protection and wealth creation.

During the go-go years of the 1980s, however, the emphasis shifted heavily in favour of wealth creation as banks vied to provide a wide variety of credit services to help make rich people richer. Loans secured by private wealth in the form of real estate or securities became the main focus of private banking services.

But the recession of the past two years has been a sobering experience for lenders, and private banking divisions have not been exempted from the loan losses that have eaten into bank balance sheets.

Now, American private bankers say, there is a shift back to a more traditional approach, which concentrates on managing the investments

Focus now is on managing investments rather than lending for entrepreneurial pursuits

of the wealthy rather than lending them money for entrepreneurial pursuits.

"There has been a gradual shift towards investment and fiduciary activities, away from credit-driven services," said Mr Thomas Clark, chairman-elect of the American Bankers' Association's private banking committee.

Indeed, Mr David Van Pelt, senior vice president at Citicorp's private bank – one of the largest providers of services in the US – acknowledged that his bank, too, is shifting gears.

"There will be greater emphasis on asset management," he said.

The bank has been touting its record in asset management, producing figures showing that it has outperformed Lipper Analytical's indices in all sectors over the past five years.

On the credit side, Mr Van Pelt said Citicorp's private bank "has had a higher than normal loan loss experience in the US due to lending secured by commercial real estate".

Not only have real estate values plummeted, but many wealthy individuals secured credit based on their holdings of shares which have fallen sharply in value with the recession.

Asil Nadir, for example, was a large private banking customer at one US bank, securing loans backed by his holdings in Polly Peck International.

And while Citicorp is still firmly in the business of credit-driven private banking, it is taking a much harder look at the collateral provided. Stock portfolios are still acceptable, Mr Van Pelt said, although higher margins may be required.

Customers, too, are taking a harder look at credit quality. Mr John Hover, senior vice president at US Trust – whose capital ratios far exceed those required by regulators – said that some of the bank's new business has been spurred by a "flight to quality".

US Trust provides trust and private banking services exclusively, having given up commercial lending in 1987.

Meanwhile, other banks have decided that taking their private banking services downmarket to less wealthy individuals was a mistake.

"We're going upscale," said Mr Jim Sommers, group executive vice president in charge of private and trust banking at NCNB, America's largest super-regional bank.

"We're reducing the number of clients we take in, and revising the criteria. Private banking can't be done as a broad-based business."

Indeed, the lower end of the market is where much of the competition has occurred, according to Mr Nigel Williams, a private banking specialist with Boston Consulting Group.

"The competition has taken place for younger, less wealthy individuals," he said.

The new private banking customers are more likely to be in their 30s or 40s, entrepreneurs with relatively low liquid assets, but with stock in a privately held company or partnership.

The traditional requirements for a private banking customer – \$1m in liquid assets and income of over \$250,000 a year – bar many wealthy individuals from the market.

Deborah Talbot, senior vice president of private banking at Chase Manhattan Bank, said that much of US private banking in recent years has concentrated on finding ways to liquify those kinds of assets in order to enhance wealth.

"The bank that looks at private banking in the traditional sense would be left high and dry," she said.

Chase, Ms Talbot said, "has really wrestled with going downscale."

But rather than pursue less wealthy customers, Chase has established a middle tier of private banking client called the "preferred customer". While the services are not as elaborate as those offered to private banking clients, it allows Chase to package other banking services, including those of its trust department, to these individuals.

Private banking in America is a relatively recent phenomenon. The ABA's private banking committee was formed only five years ago, in contrast to Swiss and London banks which have been offering discreet private banking services for hundreds of years.

The explosion of personal wealth in the 1980s led banks to seek to fill a niche. It was discovered the market for private banking services had grown well beyond the traditional market of elderly people with inherited wealth.

Chase's Talbot notes that currently only 20 per cent of assets are passed on intergenerationally, spelling the death knell for those banks whose efforts consisted

It is their expertise in fund management and fiduciary services that has given merchant banks an edge

simply of capturing "old money".

Meanwhile, as the commercial banks piled in to private banking, competition from investment or merchant banks was stepped up. It is their expertise in fund management and fiduciary services – basic private banking – that has given them an edge.

Brown Brothers, Harriman is frequently named as an investment bank providing European-style asset management in the traditional mould.

Mr Clark notes that investment banks have a competitive edge in recruiting wealthy clients because they often have an existing relationship.

For instance, the investment bank which handles the initial public offering of shares for an individual's company could well offer to help him invest and manage it.

"Investment banks are right there when the money changes hands. They can say: 'We'll manage that for you'," he said.

Several investment banks, including Merrill Lynch and Goldman Sachs, have trust departments to take on private banking functions.

Norma Cohen

FINANCIAL TIMES
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Leading centres: SWITZERLAND

Working harder for the slot at the top

SWISS private bankers are in an unusually turbulent time, but their country's standing as the leading centre for international private banking remains intact. Although the emphasis on privacy makes it impossible to track the business statistically, most bankers accept consultants' estimates that Swiss banks handle 40 per cent or more of the assets placed under management worldwide. By comparison, London is usually given between 10 and 15 per cent, with New York slightly lower.

But the competition is intensifying. The Swiss banks' earlier comparative advantages – secrecy, a sound economy, absence of currency controls, political and monetary stability – are being eroded. Moreover, over the past two years the Swiss have had to adjust to domestic deregulation, which has started to dismantle the cartel-like arrangements that enabled them to price their services at a level high enough to ensure a reasonable living even for the laziest.

Increased competition is seen from two directions: first from the new offshore centres, and from foreign banks looking for a slice of the asset management cake; and second from price-cutting stimulated by domestic deregulation, although for the moment most bankers say this remains a potential rather than an actual threat. The price war has not yet started.

Swiss private banking is in the throes of readjustment. "Before, we could wait for customers to come to us. Now we have to travel in search of new clients, and we have to provide an efficient, global investment service," says one Geneva banker. This situation generates lively discussion about the volume of assets a practitioner needs under management to be able to provide the services demanded by an increasingly sophisticated clientele. Banks also have to determine which clients to target: how large do individual portfolios have to be to justify the higher standard of service?

Answers differ. Some banks emphasise the development of new products; others are banking on securing higher fees by enhancing the quality of their service. Some are giving up. Over the last 12 months several small private banks have been taken over by the big three – Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse – which were already the largest players worldwide in the private banking game.

Another feature of the past year has been the consolidation among independent portfolio managers who are estimated to be responsible for around 8 per cent of the assets under Swiss management. A few have merged, others have returned to the service of banks short of good investment managers. The dismantling of the cartel that determined brokerage fees has worked to the disadvantage of the smaller independent managers, because the big banks now demand that the managers generate a higher level of broking before they can share in the brokerage fees.

The dismantling of the cartel that determined brokerage fees has worked to the disadvantage of the smaller independent managers, because the big banks now demand that the managers generate a higher level of broking before they can share in the brokerage fees

Changes in the private banking strategies of the foreign banks operating in Switzerland illustrate the readjustment. Manufacturers Hanover, Chemical and First Chicago have quit; American Express sold its private banking operation in Geneva.

But as part of its reorganisation, Chase Manhattan, which last year appeared to be one of the big banks most affected by the US banking crisis, has created a separate private banking business and switched its headquarters for Europe, the Middle East and Africa from London to Geneva.

Among UK banks, National Westminster, following the earlier example of Lloyds, announced it was consolidating its private banking business – under the Coutts label – and was placing its international operations in Switzerland Zurich, although Lloyds chose Geneva.

Recent changes among the elite Genevan private banks have also reflected divergences in strategy. Darier and Hentsch have merged, in order, they said, to achieve sufficient size to be able to attract institutional clients. Bordier, on the other hand, broke with tradition by taking on a non-family partner, but declared it would still concentrate on developing its niche among private clients.

At first blush, Chase's decision appears to be paying off. It manages \$46bn in assets worldwide, according to Mr Georges Vergnion, the French senior vice president who runs operations from Geneva. Of that figure, roughly 60 per cent represented international business. Mr Vergnion said Chase had seen a 30 per cent climb in assets under management last year and expected a similar growth again this year; the Swiss subsidiary posted a 16 per cent increase in net earnings last year.

For Mr Vergnion, Swiss private banking remains the best in the world, still very competitive in the services it offers and well positioned to hold off rivals. "They have got rid of some negative aspects, such as the reputation for money laundering and, even if Switzerland has to join the European Community, they will retain advantages in bank secrecy."

Few banks could match Chase's asset growth last year. For many, 1990 was a year of consolidation; 1991 has brought an increase in private banking business but not to the level which banks enjoyed for most of the 1980s when growth in assets under management probably averaged between 10 and 15 per cent a year.

Repercussions from the scandal over BCCI are reported. "Some clients have been switching accounts to banks with first-class names," one banker said. On the other hand, fewer clients than expected have changed their accounts to banks offering lower charges after the dismantling of the cartel that fixed brokerage fees. This may be because competition in pricing is still only in a phony war stage; none of the big banks has yet radically changed its pricing structure. Some bankers believe, however, that the real war will start when competition intensifies.

At the end of September the federal parliament voted to ease the stamp duty charges which the banks have been claiming for years handicapped the Swiss financial centre in competition with deregulated rival centres. This reform will be more to the advantage of banks with a high share of assets from institutions or from individuals with large investment portfolios than to banks with a preponderance of lower net worth clients, but parliament's decision was welcomed as removing a clog on Swiss competitiveness. However, the partial removal of the stamp duty has still to be confirmed; the socialist party could call for a referendum on the issue.

William Dullforce

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net Asset Values are for Thursday October 17th
Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	638	...
Finlay Pkg. 5p.. β	28d	....
Holt (Jos) 25p ... β	1985	...
Henson Hldgs .... γ	37	...
IRG	125	...
United Drug...	165	...

IRISH

Cp 9½% Ln 2010..	£95¼	....
9pc Cap Ln 1996.	£98½	+¼
Fin. 13% 97/02.	£114	...
Arnotts . . .	190	...

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	58
Amstrad	6
Ascec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	30
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	38
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Razors	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	12
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	5
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

London & Manchester Tst Mgmt (1000)H

Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	44.40	44.61	47.97	+0.04	1.3
General	6	67.42	67.88	72.83	+0.11	3.8
Income	6	52.65	53.65	57.56	+0.01	6.3
International	6	44.08	44.33	47.78	-0.09	1.6
Japan	6	42.15	42.61	45.75	-0.38	0.0
Tst of Inv Trusts	6	42.69	43.79	46.99	+0.16	2.6

M & G Securities (0915)H

Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 071-626 4588 Unit Dealing 0245 266266

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H

20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	171.2	172.2	182.9	-0.3	0.76
European Gth Inc	5¼	195.8	195.8	208.9	+1.5	0.00
European Gth Acc	5¼	195.8	195.8	208.9	+1.5	0.00
Intl Gwth	6¼	147.0	147.0	156.4	-0.2	0.00
UK Equity Inc	5¼	116.5	116.5	125.0	+0.1	4.31
UK Equity Acc	5¼	135.1	135.1	145.0	+0.1	4.31
UK Ind Tracker Inc	5	125.1	125.1	133.9	+0.7	3.67
UK Ind Tracker Acc	5	136.0	136.0	145.2	+0.8	3.67
03 Eu Ind Tracker Inc	5	144.6	144.6	155.1	----	2.90
03 Eu Ind Tracker Acc	5	150.2	150.2	161.1	----	2.90
Japan Tracker	5	66.65	66.65	70.69	-0.46	0.00
Asian Tracker	5¼	79.34	79.34	85.34	+0.11	1.83
Managed Inc	5¼	102.3	102.3	109.9	----	2.90
Managed Acc	5¼	103.9	103.9	113.7	----	1.40
Cash Inc	0	100.27	100.27	100.27	+0.06	10.52
Cash Acc	0	111.48	111.48	111.48	+0.07	10.52
Europa	5¼	103.4	103.4	110.7	+0.2	0.00

For Geoffrey Morley see Commercial Union

For MIM Britannia see INVESCO MIM

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

هكذا منه الأصل

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ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark makes broad gains

The D-Mark forged ahead on the foreign exchange markets yesterday, benefitting from doubts about the future direction of US and Japanese interest rates.

Attention remained focussed on the relative strength of the yen and the D-mark, with no new economic dsta expected from the US this week to capture attention.

The Japaneae currency weakened overnight in Tokyo as the market focussed on the possibility of an early cut in the key overnight discount rate, which currently stands at 5.5 per cent. Expectations of an early easing of monetary conditions were fuelled by narrow money supply figures for Septemher, which showed M2 growing at 2.2 per cent year-on-year.

This compares to a year-on-year rate of 2.8 per cent during August and is the lowest rate of monetary growth for some years. Without easier monetary conditions, economic slowdown could be aharper than the Japanese authorities would like to see, commented economists.

Against this background, the D-mark strengthened to Y77.25/30 in London trading, having closed on Friday at Y76.83. However, analysts said that the German currency would hit technical resistance at aronnd Y77.50 and was unlikely to breacb that level.

The dollar remained stable in the absense of new factors to drive the market. The US currency closed at DM1.6905 from DM1.6885; Y130.70 from Y129.75; and Sfr1.4805 from Sfr1.4755.

The only set of US economic data likely to captura the attention of the foreign exchange markets this week are monthly durahle goods orders for September, due for release on Thursday.

Market forecasts centre on a 2 per cent rise for September, against a fall of 3.9 per cent in August due to seasonal factors. However, this would still show economic activity either declining or flat.

Sterling remained stable but near to the bottom of the European monetary system grid and just ahove the French franc, the weakest currency in the system.

Early selling saw the UK currency weaken slightly and fall to 2.9050 from a close of 2.9125 on Friday. Dealers said that opinion polls published over the weekend, which showed the government lagging behind the Labour party, were partly to blame.

The French currency was also weak, following a 0.25 per cent cut in the Bank of France intervention rate on Thursday. The franc fell to the lowest level this year against the D-mark, a fix of FFr3.4116, from FFr3.4076 on Friday.

Like sterling, the French currency is overshadowed by adverse political sentiment. The government of Mrs Edith Cresson faces a vote of no confidence in its budgetary policy on Thursday and a series of strikes.

Against this, overseas investors remain enthusiastic buyers of franc denominated financial assets such as Eurobonds.

£ IN NEW YORK

Oct. 21	Latest	Previous Close
£ Spot	1.7175-1.7185	1.7260-1.7270
1 month	0.81-0.80pm	0.75-0.73pm
3 months	2.11-2.09pm	2.06-2.03pm
12 months	7.17-7.07pm	7.05-6.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.21	Previous
8.30 am	90.4	90.4
9.00 am	90.4	90.4
10.00 am	90.5	90.4
11.00 am	90.4	90.3
Noon	90.4	90.4
1.00 pm	90.5	90.4
2.00 pm	90.4	90.4
3.00 pm	90.4	90.4
4.00 pm	90.4	90.4

CURRENCY MOVEMENTS

Oct. 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-20.9
U.S Dollar	64.6	-14.8
Canadian Dollar	106.9	+4.1
Austrian Schilling	109.1	+11.5
Belgian Franc	110.8	-2.3
Danish Krone	108.2	+3.1
D-Mark	117.2	+23.8
Swiss Franc	109.1	+17.8
Dutch Guilder	113.4	+15.5
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.18

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.101	-3.39	4.82	59
Belgian Franc	42.4032	42.1431	-0.61	1.89	33
Italian Lira	1538.24	1531.10	-0.46	1.74	27
D-Mark	2.05586	2.04692	-0.43	1.71	33
Dutch Guilder	2.31643	2.30678	-0.42	1.69	24
Irish Punt	0.767417	0.765362	-0.27	1.54	16
Danish Krone	7.84195	7.90854	0.85	0.41	-35
Sterling	0.696904	0.704213	1.05	0.22	-21
French Franc	6.89509	6.98248	1.27	0.00	-65

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7180 - 1.7270	1.7185 - 1.7195	0.81-0.79cpm	5.58	2.10-2.07pm	4.85
Canada	1.9365 - 1.9440	1.9380 - 1.9390	0.46-0.37cpm	2.57	1.11-0.99pm	2.17
Netherlands	3.2675 - 3.2795	3.2675 - 3.2775	½-¼cpm	1.38	⅞-⅝pm	0.92
Belgium	59.65 - 60.00	59.75 - 59.85	11-6cpm	1.71	21-14pm	1.17
Denmark	11.2000 - 11.2395	11.2200 - 11.2300	1⅜-⅞orepm	1.20	3¼-2¼pm	0.98
Ireland	1.0850 - 11.0880	1.0850 - 1.0860	0.03-0.07pdis	-0.55	0.04-0.14dis	-0.33
Germany	2.9025 - 2.9115	2.9025 - 2.9075	⅜-¼pfpm	1.29	⅞-¾pm	0.95
Portugal	249.00 - 250.55	249.75 - 250.25	3-31cdis	-0.82	102-149dis	-2.01
Spain	182.85 - 183.70	183.10 - 183.40	33-41cdis	-2.42	90-104dis	-2.12
Italy	2169.55 - 2174.55	2173.25 - 2174.25	par-2liredis	-0.55	4-6dis	-0.92
Norway	11.3350 - 11.3965	11.3350 - 11.3450	⅜-¼orepm	0.26	½-¼pm	0.13
France	9.9075 - 9.9270	9.9100 - 9.9200	1⅜-1cpm	1.44	2⅝-2pm	0.98
Sweden	10.5375 - 10.6020	10.5375 - 10.5475	¼-⅝oredis	-0.43	1-1¼dis	-0.52
Japan	224.00 - 225.25	224.25 - 225.25	⅞-¾ypm	4.34	2¼-2⅛pm	3.89
Austria	20.38 - 20.48	20.38 - 20.41	3-1⅞gropm	1.43	5-2¾pm	0.75
Switzerland	2.5400 - 2.5500	2.5400 - 2.5500	⅝-½cpm	2.65	1⅜-1¼pm	1.96
Ecu	1.4175 - 1.4215	1.4175 - 1.4185	0.11-0.07cpm	0.76	0.21-0.15pm	0.51

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.95-3.90cpm. 12 Month 7.14-7.04pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7180 - 1.7270	1.7185 - 1.7195	0.81-0.79cpm	5.58	2.10-2.07pm	4.85
Ireland†	1.5800 - 1.5880	1.5815 - 1.5825	0.68-0.63cpm	4.97	1.82-1.72pm	4.48
Canada	1.1260 - 1.1275	1.1265 - 1.1275	0.27-0.30cdis	-3.03	0.74-0.79dis	-2.72
Netherlands	1.8975 - 1.9070	1.9040 - 1.9050	0.67-0.70cdis	-4.32	1.87-1.91dis	-3.97
Belgium	34.65 - 34.85	34.75 - 34.85	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10⅞ - 10⅝	10⅝ - 10⅝	10¾ - 10⅝
US Dollar	5¾ - 5⅝	5⅝ - 5½	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½
Can. Dollar	8 - 7¾	8⅛ - 7⅞	8 - 7⅞	8 - 7⅞	7⅞ - 7¾	8 - 7⅞
Dutch Guilder	9⅛ - 8⅞	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9⅜	9⅜ - 9⅜
Swiss Franc	7⅞ - 7⅝	8 - 7⅞	8⅛ - 8	8⅜ - 8¼	8⅝ - 8⅜	8⅝ - 8½
D-Mark	9⅛ - 9⅛	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9⅜	9⅜ - 9⅜	9⅜ - 9⅜
French Franc	9 - 8⅞	9 - 0⅞	9 - 0⅞	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9⅜
Italian Lira	12 - 10	11 - 10¾	11¼ - 10¾	11⅜ - 10⅞	11⅜ - 11	11⅜ - 11⅜
Belgian Franc	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅜ - 9⅜	9⅜ - 9¼	9⅜ - 9⅜
Yen	6⅜ - 6⅜	6⅜ - 6⅛	6⅜ - 6⅛	6⅜ - 6⅜	6⅛ - 6	5⅞ - 5⅞
Danish Krone	9⅛ - 9	9⅛ - 9	9⅜ - 9⅛	9⅜ - 9¼	9⅜ - 9⅜	9½ - 9⅜
Asian $Sing	4½ - 4	4½ - 4	4⅛ - 4	4⅜ - 4⅜	4½ - 4⅜	4⅝ - 4⅝

Long term Eurodollars: two years 6⅜-6⅜ per cent; three years 6⅞-6⅞ per cent; four years 7⅜-7⅜ per cent; five years 7⅜-7⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.21	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.719	2.905	224.8	9.915	2.545	3.273	2174	1.939	59.80	1.418
$	0.582	1	1.690	130.8	5.768	1.481	1.904	1265	1.128	34.79	0.825
DM	0.344	0.592	1	77.38	3.413	0.876	1.127	748.4	0.667	20.59	0.488
YEN	4.448	7.647	12.92	1000.	44.11	11.32	14.56	9671	8.625	266.0	6.308
F Fr.	1.009	1.734	2.930	226.7	10.	2.567	3.301	2193	1.956	60.31	1.430
S Fr.	0.393	0.675	1.141	88.33	3.896	1	1.286	854.2	0.762	23.50	0.557
N Fl.	0.306	0.525	0.888	68.68	3.029	0.778	1	664.2	0.592	18.27	0.433
Lira	0.460	0.791	1.336	103.4	4.561	1.171	1.506	1000.	0.892	27.51	0.652
C$	0.516	0.887	1.498	115.9	5.113	1.313	1.688	1121	1	30.84	0.731
B Fr.	1.672	2.875	4.858	375.9	16.58	4.256	5.473	3635	3.242	100.	2.371
Ecu	0.705	1.212	2.049	158.5	6.992	1.795	2.308	1533	1.367	42.17	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

PARIS: 7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; 6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF)

[illegible]

Estimated volume 1,202 Total Open Interest 4,085

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	2.31	-	-	0.07	0.35	-
106	1.43	-	-	0.20	0.61	-
107	0.70	1.25	-	0.50	0.98	-
108	0.28	0.78	-	-	-	-
Open Int	113,510	50,581	2,370	88,874	41,414	8,823

Estimated volume 84,462 Total Open Interest 305,572

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot 1.7190 [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates stable

UK money market conditions are expected to remain tight this week, with liquidity drained by a number of technical factors, including payments due on shares in the regional electricity companies privatised last year.

Yesterday, the Bank of England forecast a substantial £1.05bn liquidity shortage yesterday, but moved early to meet excess demand for funds. In an early round of assistance, the hank purchased £490m bank bills for re-sale to tye market on November 4. The bills were purchased at rates between 10 13/16 - ⅞ per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

In the afternoon, the bank purchased £5m band 2 bills at 10⅞ per cent, and then £416m band 1 and band 2 bills at 10⅞ per cent. Late assistance totalled £70m, bringing to £981m the liquidity injection for the day, just balow the forecast shortage.

Against this background, three month interbank money remained steady throughout the day, opening at 10⅝ - ½ per cent, moving slightly higher before falling back to close at 10 9/16 per cent.

The December short sterling contract on the London International Financial Futures Exchange was weaker against the backgound of a soft UK currency on the foreign axchnage markets and the weakness of the government in weekend opinion polls. The contract closed at 89.90, from 89.98 on Friday.

Today, operators were expecting a liquidity shortage in the region of £1.5bn and equally tight conditions for the rest of the week.

In Frankfurt, call money remained stable at around 9.10 to 9.15 per cent despite moves by banks to meet Bundesbank reserve reqirements. Liquidity was also drained by tax payments, a factor which contributed to tight money rates for most of last week.

The liquidity shortage last week was underlined hy the DM700m borrowed from the central bank on Friday at the Lombard interest rate, the Bundesbank'a 9.25 per cent "emergency" funding rate.

The market also shurgged off warnings from the Bundesbank about the need to reduce public sector borrowing and to maintain a tough anti-inflationary stance – both of which imply tight monetary conditions for some time.

In New York, the Federal Reserve did not operate in the money markets. Fed funds traded at 5 5/16 per cent during morning session, below the Frederal Reserve's presumed target rate of 5¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 21) 3 months US dollars		6 months US Dollars	
bid 5 3/16	offer 5 5/16	bid 5 3/16	offer 5 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8	One month	5.18	Three year	6.21
Broker loan rate	7	Two month	5.14	Four year	6.37
Fed.funds	5 5/16	Three month	5.17	Five year	6.89
Fed.funds at intervention	-	Six month	5.28	Seven year	7.27
		One year	5.38	10-year	7.57
		Two year	5.95	30-year	8.02

Oct.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.15	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8⅞-8⅞	8⅞-9	9-9⅛	9⅛-9⅛	9⅛-9¼	9.25
Zurich	7⅜-7⅞	8-8¼	-	8⅛-8⅜	-	-
Amsterdam	8.75-8.90	9.12-9.22	-	9.25-9.35	-	-
Tokyo	6⅜-6⅝	6⅝-6 11/16	-	6⅜-6 11/16	-	-
Milan	10⅝-11	11¼-11⅜	-	11⅜-11½	-	-
Brussels	9.18-9.25	9⅜-9⅛	-	9¼-9⅜	-	-
Dublin	10-10⅛	10-10⅛	10-10⅛	10⅛-10¼	10¼-10⅜	-

LONDON MONEY RATES

Oct 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10⅝	10⅝	10½	10⅜	10 13/32
Interbank Bid	9⅞	10½	10½	10⅜	10¼	10 9/32
Sterling CDs	-	-	10 9/16	10 7/16	10¼	10 9/32
Local Authority Deps.	10½	10 9/16	10 9/16	10¼	10¼	10 5/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10⅝	10 7/16	10 5/16	10¼
Finance House Deposits	-	-	10 11/16	10 7/16	10 5/16	10¼
Treasury Bills (Buy)	-	-	10 9/32	9⅞	9½	-
Bank Bills (Buy)	-	-	10 9/32	10 3/16	9 15/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	5.30	5.37	5.37	5.55
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9 13/16	9⅞	9⅞	9⅞
ECU Linked Dep. Bid	-	-	9 11/16	9¾	9¾	9¾

Treasury Bills (sell); one-month 10 3/32 per cent; three months 9¾ per cent; six months 9⅜ per cent; Bank Bills (sell): one-month 10 3/32 per cent; three months 10 1/32 per cent. Treasury Bills; Average tender rate of discount 9.8627 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

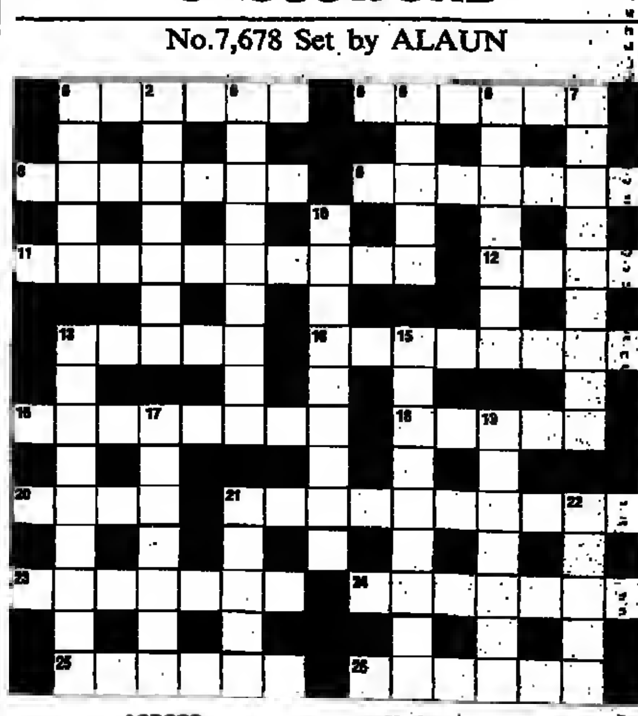
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,678 Set by ALAUN



ACROSS

1 Got the turncoat to enter the competition (6)
4 On the side of the bad, though conventional (6)
8 Towards the centre, where the cases are (7)
9 To the extent that it's not yet out (7)
11 Fair give one a wigging about a minor complaint (6,4)
12 Conducted one in a song (4)
13 The right hand holds it to start with (5)
14 Did perform in Evita, playing an extra (8)
16 Spoon, giving an "Oo!" when caught in the light (8)
18 Step one is to have a light outside (5)
20 Catching a hard crack would hurt (4)
21 Show no promise as sculptors? (5,5)
23 Let's have a little quiet, at least (7)
24 Comes out and talks about rain (7)
25 Promise to put in the post (6)
26 Instructs the classes (6)

DOWN

1 Disallow a number as unimaginative (5)
2 Won't it give you a free ride? (7)
3 Thought me old-fashioned about it (9)
5 Had the sweetheart got caught in the downpour? (5)
6 Naturally bright performing lion – and outstanding cat (7)
7 Getting a breakthrough, stop (5,4)
10 Is it unsuited to the young head? (6,3)
13 Having money, he is going out to get the licence (9)
15 First in pre-med resolved to identify the disease (9)
17 Go up and put the ninepence back in the slot (7)
19 With one hand only on the shell (7)
21 Being overcharged had hurt (5)
22 The plant, deal with ourselves (5)

Solution to Puzzle No.7,677

WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

ITALY

GERMANY

NORWAY

SWITZERLAND

SPAIN

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

3:00 pm prices October 21

MONTREAL

3:00 pm prices October 21

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

*Saturday October 19: Taiwan Weighted Price: 4391.47. Korea Comp Ex. 698.24.
‡ Subject to official recalculation.
*Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto indices based 1975 and Montreal Portfolio 4/1/ ... Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, 21 October, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Tire Rbbr	10.2	971	+45	Hitachi Zosen	6.1	727	-3
Kawasaki Heavy	7.7	809	+6	Chiyoda	5.8	2,400	+30
Japan Storage	7.2	1,090	+70	Maruzen Chem	5.9	1,310	+40
Howa Machinery	6.5	1,000	+80	Meiji Milk Prod	5.7	1,140	-20
C Itoh	6.5	760	+23	Nippon Mining	4.9	836	-9

Price data supplied by Telekurs.

3:00 pm prices October 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅞	9¼	AAR Corp x	0.48	0.03	10	208	14½	14⅛	14⅛	+⅛
19⅝	14½	A L Labs A	0.10	0.01	21	544	u19	18	18	+⅝
59⅞	40⅞	AMP Inc	1.44	0.03	19	1873	50½	50	50⅛	−½
65⅝	44¼	AMR				122738	64	62⅞	63⅛	−⅞
2⅞	1	ARX			1	31	1½	1¼	1½	
55	41½	ASA	3.50	6.07	14	831	51¼	50½	50⅝	+¼
56⅞	39¼	Abbott Lab x	1.08	8.02	22	3662	55	39⅛	63¾	−⅝
14⅝	8⅞	Abitibi Pr x	0.06	0.06	24	5	13¼	13¼	13¼	−⅛
11⅝	10⅜	ACM Gvt In x	1.26	0.11		3316	11⅛	10⅞	11	−⅛
9¼	8⅜	ACM GvOpp x	1.01	0.11		108	9⅝	9½	9½	
9½	8⅜	ACM Gvt Sp	1.01	0.11		1014	9⅜	9¼	9⅜	−¼
11	9⅞	ACM Gvt Se	1.26	0.12		3275	10⅞	10½	10⅝	−⅛
9	7⅝	ACM Man x	1.01	0.12		680	8⅞	8⅝	8¾	−⅛
12⅞	11½	ACM Mangd x	1.36	0.11		252	12¾	12⅝	12⅝	
7½	4⅜	Acme Cleve x	0.40	0.08	17	67	6⅜	6⅜	6½	−¼
6	3½	Acme Elect			2	13	4⅛	4⅛	4⅛	−⅛
40	20¾	Acuson			23	719	35	34¼	34¼	−¼
19¼	14¼	Adams Expr	0.73	0.05	0	61	u19⅛	19¼	19¼	
20⅛	17½	Adobe12P1 x	2.40	0.10		27	19⅛	19	19	−¼
9¾	6⅝	Adobe Res			46	130	7⅛	7⅛	7⅛	
38⅞	18	Ad Micro				57	34½	34	34	−⅛
14¼	4⅝	Ad Micro P	3.00	0.28		823044	11	10¾	10¾	−⅛
6½	2⅛	Advest Grp	0.16	0.06	6	131	4½	4⅛	4⅜	+¼
40⅞	31⅞	Aetna Lf x	2.76	0.08		71891	36⅝	36⅝	36⅜	−1½
10⅝	6⅝	AHM A	0.24	0.03	44	746	8	7⅞	8	+⅛
28⅞	12	Ahmanson	0.88	0.08		102060	19⅜	16⅛	16⅛	−⅛
12⅞	2⅞	Aileen Inc			15	160	u17	16⅝	16⅜	−⅛
74¼	61⅞	Air Pr Chm	1.56	0.02	15	386	71⅞	71	71¼	−¼
30	19⅝	Airborne Frt	0.08	0.01	19	133	25⅛	30½	25¼	−¼
19⅝	12½	Airgas Inc			101	18	18½	18¼	10¼	−½

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
62¾	35¾	Xerox x	3.00	0.60	10	770	62¼	61¼	61¼	-⅜
61½	43¾	XerOx4 125 x				0	51¼	51¼	33¼	-1
23⅞	14¼	Xtra 1.04				20	23⅝	28½	23⅝	+¼
27¼	14¾	Xtra Corp	0.72	0.00	90	379	27⅞	27	27⅝	
26½	21⅜	Yankee Egy	1.60	0.06	12	82	u26⅝	26¼	26¼	+¼
1½	⅞	Zapata			2	276	⅛	⅛	1⅛	+⅛
9⅝	6¼	ZenithElec				11178	6⅝	3¼	6¼	+⅞
18½	12	Zenith Nat x	1.00	0.06	94	100	10¼	16⅜	10¼	-¼
6⅝	4½	Zenith Ind s	0.04	0.15		78	u6⅞	8¾	8¾	
16¼	10⅞	Zero Corp	0.40	0.03	15	66	13	12⅞	13	+⅛
41⅞	29½	Zurn Ind	0.88	0.62	14	32	29¼	20	30⅛	
13½	10¼	Zweig Fund s	1.10	0.09		167	13¼	13	13	-¼
10⅝	6½	Zweig Totl s	0.96	0.09		361	u10⅝	10¼	10¼	-¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices October 21

NASDAQ NATIONAL MARKET

3:00 pm prices October 21

AMERICA

Profit-taking sets in as hopes of Fed move fade

Wall Street

SHARE PRICES fell yesterday morning after bond yields had risen sharply on fears that the Federal Reserve might have postponed an easing of monetary policy, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 22.36 at 3,054.79. The more broadly based Standard & Poor's was also weaker at mid-session, down 3.08 at 389.42 by 1 pm, while the Nasdaq composite of over-tbe-connter stocks sbed 2.61 at 536.29. Turnover on the NYSE was 94m shares by 1 pm, and declines ontpaced riaes by almost two to one.

The morning sell-off was understandable. In the previous five daye tba Dow had risen by almost 100, buoyed by hopes of easier monetary policy and by better-than-expected third quarter corporate results. To many, it looked overpriced at around 3,070, and some investors took the opportunity to realise recent profits. With the likelihood of an imminent Fed ease rapidly diminishing, the pressure to sell was irresistible for some investors, and a rise in the long bond yield to back over 8 per cent did not help matters.

Airlines, which powered the Transportation index to new highs last week, took a pounding on profit-taking. All those that rose last Wednesday on good results from AMR, parent of American Airlines, fell back yesterday. AMR lost $¾ at $63⅛, Delta gave np $¾ at $67¾, and UAL slipped $1⅞ to $132⅞. Southwest Airlines, which reported a 27 per cent decline in third quarter net profits, fell $1 to $26⅜.

Owens-Corning, whicb fell sharply on Friday after reporting poor third quarter earnings and plans for two quarterly charges next year, dropped another $4⅛ to $19⅞ on turnover of 2.3m shares. Merrill Lynch downgraded the stock and cut its earnings estimate.

Chase Manhattan firmed $⅝ to $18⅞ after the banking group reported a sharp gain in earnings, with profits of 79 cents a share in the third quarter, compared to a $5.03 a share loss at the same stage of 1990. Other banks were mostly weaker, with Citicorp easing $¼ to $11⅝, BankAmerica $⅛ to $42½, and Security Pacific $⅛ to $32⅝, although Chemical bucked the trend with a gain of $¼ to $25¼.

Unisys held firm at $4¾ after reporting a quarterly loss of 66 cents a share, which represented an improvement on the loss of $2.42 in the third quarter of last year. Zenith Electronics rose $⅛ to $6¼ on a aimilar turnaround in third quarter earnings, while Analog Devices jumped $¾ to $8½ after news that it had developed an electronic sensor, for use in car airbags, which it claims is cheaper and more reliable than mechanical sensors currently in use.

Canada

TORONTO stocks were mixed in moderate midday trading as the market consolidated last week's gains. The gold sector was supported by higher bullion prices. The TSE-300 composite index fell 7.54 to 3,474.80 on volume of 15.5m ahares. Advances led declines by 255 to 223 with 217 unchanged.

In the gold sector, Placer Dome Inc rose C$⅞ to C$14, American Barrick gained C$⅛ to C$28¼ and Echo Bay Mines rose C$¼ to C$9⅞.

Among tbe most active stocks, Laidlaw B ehares gained C$⅛ to C$10¼ and Alcan Alumininm dropped C$¼ to C$23⅝.

Equity investors rediscover the Americas

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1991	% change sterling † Start of 1991	% change in US $ † Start of 1991
Austria	−3.01	−3.37	−6.99	−5.67	−6.69	−16.60
Belgium	−0.31	−0.44	+6.75	+9.79	+3.09	−2.50
Denmark	+0.55	−1.44	+11.44	+21.59	+20.35	+7.57
Finland	+1.77	−5.20	−2.84	−4.95	−7.31	−17.15
France	+1.22	−1.11	+18.62	+21.12	+18.75	+7.03
Germany	−0.82	−3.89	+1.21	+6.06	+5.08	−3.09
Ireland	+1.17	−1.87	+13.26	+20.11	+19.49	+3.80
Italy	+1.42	−3.92	−6.12	+0.68	+0.66	−10.01
Netherlands	+2.17	+0.56	+16.67	+16.70	+17.71	+5.22
Norway	−0.48	−3.66	−3.53	+4.91	+4.10	−6.96
Spain	+0.43	−3.48	+17.45	+20.64	+21.03	+6.18
Sweden	−0.64	−6.88	+15.95	+24.13	+26.66	+13.21
Switzerland	+2.63	+1.61	+17.75	+24.17	+20.04	+7.30
UK	+1.63	−0.43	+24.87	+21.29	+21.29	+8.41
EUROPE	*+1.10*	*−1.37*	*+15.05*	*+18.97*	*+16.32*	*+3.95*
Australia	+4.11	+3.38	+22.11	+26.16	+48.24	+32.35
Hong Kong	−0.24	+1.92	+37.97	+35.07	+52.04	+35.88
Japan	+1.75	+5.64	+8.35	+10.18	+28.88	+15.19
Malaysia	+1.06	−1.18	+8.64	−3.39	+3.00	−7.94
New Zealand	+1.11	+4.05	−5.71	+12.04	+20.82	+7.95
Singapore	+2.05	+0.39	+24.06	+17.05	+34.47	+20.19
Canada	+3.33	+2.42	+10.79	+4.87	+20.68	+7.84
USA	+2.88	+1.17	+29.42	+18.60	+33.81	+18.60
Mexico	+4.62	+3.83	+164.41	+132.88	+151.27	+124.59
South Africa	+1.12	−0.32	+32.42	+25.08	+51.39	+35.31
WORLD INDEX	+2.05	+2.09	+18.14	+16.00	+27.91	+14.32

† Based on October 18th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By Jacqueline Moore

THE AMERICAS were rediscovered by investors last week, coinciding with the US celebration of Columbus Day. Wall Street, Canada and Mexico were three of the best performing markets, according to the FT-Actuaries World Indices.

The American rally helped the World Index to rise 2 per cent on the week in local currency terms. Excluding the US, the index was up 1.6 per cent.

Hopes of lower interest rates and an improvement in earnings were the forces driving the US market. The Dow Jones Indnstrial Average set an all-time higb of 3,061.72 on Wednesday, passing the previous record of late August, and overcame profit-taking on Thursday to end the week at another peak of 3,077.15.

Mr Ian McCafferty, an economist at Baring Securities, comments: "Wall Street is looking to further falls in *interest rates and better earnings* – it believes that the worst of the quarterly earnings have come to an end."

Ha adds that the general tone underlying the markat seems to be correct: "Wa expect the economy to pick up in a modest way in the next couple of quarters – we do not expect a double-dip [recession]."

The US rally dragged Toronto along in its wake, although Canada remains one of the worst performing markets this year. As well as Wall Street, the other main influence on Canada was a good inflation figure for September, which reduced the annualised inflation rate to 5.4 per cent from 5.8 per cent in July and August, says Mr Mark MacLean of Deacon Morgan McEwen Easson, the Canadian brokers owned by BZW.

Gold shares and cyclical stocks – which tend to lead the way in an economic recovary – pushed the market higher, while cuts in prime lending rates by some banks boosted real estate stocks.

However, Mr MacLean remains cautious. The two biggest concerns, he says, are corporate earnings and the high level of the Canadian dollar against the US dollar, which makes life tough for exporters. "The market is overbought in the short term," he claims.

The other American star of the week, Mexico, is also the best performer of the year in the FT-A indices. As in the case of the US, it hit a record high last week, as demand for atocks such as Telmex and Cemex came in active trading. "We can expect the market to continne in its uptrend next week as third-quarter results begin to filter into the market," says Baring Securities.

Elsewhere in the world, the best improvement was in Australia, whicb was boosted by a strong bond market and talk of an interest rate cut. "There is room to drop rates further without a knock-on effect on inflation," says J.B. Were, the broker, which expects a cut of one percentage point after the consumer price index figure for the September quarter, due on October 30. This would reduce the base rate to 7.5 per cent from 9.5 per cent.

At the same time, J.B. Were forecasts 20 per cent growth in earnings per share in 1992, which, it says, suggests that the market is looking cheap.

ASIA PACIFIC

Hopes of rate cut propel Nikkei above 25,000

Tokyo

SHARE PRICES moved higher yesterday on hopes of an imminent cnt in the official discount rate, and the Nikkei average finished above the 25,000 level for tbe first time in four months, *urites Emiko Terazono in Tokyo.*

Tbe index closad 121.99 ahead at 25,016.81, after a day's high of 25,101.48 and a low of 24,918.33. The rise on Wall Street last Friday encouraged arbitrage-linked buying. In tbe afternoon the rally lost ateam and the Nikkei fluctuated around the 25,000 mark, before closing above it for the first time since June 14.

Volume fell to 400m shares *from 500m as domestic institutions* remained sidelined. Foreigners and individuals led the buying, while arbltrageurs were also active. Advances exceeded declines by 639 to 315, witb 189 issues unchanged. The Topix index of all first section stocks rose 5.99 to 1,887.69, but in London the ISE/Nikkei 50 index lost 3.02 to 1,424.90.

Long-term interest rates fell further following last week's comments by Mr Kiichi Miyazawa, who is expected to become Japan's next prime minister, urging an easler monetary policy. The yield on the 129 10-year benchmark bond declined to 5.76 per cent from 5.805 per cent.

Traders said that last week's rally and strong volumes had boosted confidence in the market. However, Mr Chris Newton at James Capel said that, while the mood was still bullisb, tbe upward momentum was slowing. Some investors felt that the market was overheating.

Speculative issues were heavily traded. Traders said tbat second-tier brokerages were trying to boost market share by pushing thematic stocks and sectors. Toyo Tire & Rubber, the most active issue, rose Y45 to Y971 on rumours of speculative activity.

The biotechnology sector, whicb bas risen in recent weeks, succumbed to profit-taking. Meiji Milk Prodncts, which had surged on the announcement that it had discovered an Aids drug, fell Y20 to Y1,140. Traders said that selling pressure also came from investors bolding tbe company's warrant with an exercise price of Y795, expiring this December.

Bank issues were higher on prospects that an interest rate cut would improve profit margins. Dai-Ichi Kangyo pnt on Y10 to Y2,640 and Mitsubishi Bank added Y80 at Y2,970.

Electricals were lower on bearish profit prospects for the current year. TDK plunged Y260 to Y4,950 on a downward revision of pre-tax profits. Sony *slipped Y150 to Y5,050 and* Fujitsu lost Y21 to Y949.

In Osaka, the OSE average fell 287.76 to 27,119.73 on volume of 16.1m shares. Broadly based buying on hopes of easier credit policy pashed prices higher. Zexel, a leading fuel injection pump maker, climbed Y99 to Y834 on speculative buying after the government's decision to press for legislation to curb automobile nitrogen emissions.

Roundup

DOMESTIC CONFIDENCE in Australia and South Korea, and reaction to Wall Street in New Zealand, contrasted with late losses in Hong Kong.

AUSTRALIA registered its sixth successive gain on economic bopes. The All Ordinaries index rose 14.8 to a 20-month high of 1,632.4. Volume eased from A$256m to A$227m.

Wall Street and Tokyo also helped spur the market. News Corp rose 75 cents to A$12.65 amid speculation that the company, which has seen strong support from US investors, will soon make an equity issue.

NEW ZEALAND put on 2.1 per cent as the NZSE-40 index added 30.30 at 1,497.00. Turnover fell to NZ$19m (NZ$34m).

Fletcher Challenge, the forestry and resources stock, continued to recover from a period of extended weakness as the shares rose 10 cents to NZ$3.31, althongh tbe company aaid that it would exercise a put option requiring the government to bny 104m of its shares at NZ$3.83 each this month.

SEOUL gained 2.6 per cent in active trading on rumours that the South Korean government might relax its tight monetary policy. The composite index rose 18.43 to 716.67, possibly also reflecting a survey released on Saturday by Korea Development Securities, in which a majority of foreign financial companies operating in the country said that the index could hit 900 in 1992.

BANGKOK moved up as a real estate issue, Krisda Mahanakorn, achieved the 10 per cent ceiling with a rise of Bt6.50 to Bt72.50 in turnover of Bt311m, 19 per cent of yesterday'a trading volume. Brokers said that major shareholders of the company tried to push its price up to encourage buying of the shares.

The SET index ended 11.46 higher at 630.80 in thin turnover of Bt1.63bn.

HONG KONG's late sell-off left the Hang Seng index 17.17 lower at 3,998.74, its first close below 4,000 in three weeks. Turnover increased from HK$991m to HK$1.01bn.

Property shares turned in the day's steepest declines, with selling attributed to anxieties over the prospect of the government taking harsh action to stem surging property prices.

JAKARTA slipped further in active trade, the index falling 2.25 to 231.2 as brokers said that the decline had further to go. TAIWAN tumbled, the weighted index falling 94.91, or 2.1 per cent, to 4,296.56 ahead of political demonstrations scheduled for this weekend.

BOMBAY dropped 2.2 per cent in light trading. The BSE index lost 38.38 to 1,740.53. Analysts expected the market to be quiet until Diwali, which heralds the Hindu new year, early next month.

SOUTH AFRICA

JOHANNESBURG was led higher by gold shares, bnt gains were limited by a rise in the financial rand. The all-gold index added 38 to 1,216, while the industrial index put on 29 to 4,107 and the all-share index rose 38 to 3,440.

EUROPE

Strikes hit Paris and Milan as Frankfurt sees takeovers

THE THREAT of general strikes worried the French and Italian bourses yesterday, *writes Our Markets Staff.*

PARIS retreated after unions called for a general strike to be held on Thursday. The CAC 40 index lost 18.23 or 1 per cent to 1,845.97 in turnover similar to Friday's FFr1.9bn.

The public sector worries and last week's long-awaited interest rate cut meant that the bourse was likely to remain subdued in the short term, said Ms Jennifer Schaps at Williams de Broë. "The small size of the rate cut means that it will have no significant impact on French industry, and it precludes further movement on rates in the *short term,*" sbe said.

Lafarge Coppée, the cement maker with exposure to the US, dropped FFr7 to FFr336.50. Recovery in the US economy bad been over-discounted in the share price, said Ms Schaps. A Lafarge unit said that it had an option to buy 49 per cent of Texsa of Spain.

Scoa, tbe trading group, plunged FFr3.90 or 11.8 per cent to FFr29.10 in active trading of 776,900 shares, on Friday's news that it plans a capital increase.

MILAN failed to hold on to opening gains. There was concern that tbe general strike scbeduled for today would bamper trading. Tbe Comit index rose 1.31 to 532.32 in turnover estimated at sligbtly more than Friday's L88bn.

Analysts noted continned demand for telecommunications stocks. Sip put on L10 to L1,250 while Stet added L4 to L1,950. Investors were encouraged by evidence that Stet's new four-year investment plan showed annual investment levelling off at L11,000bn a year.

FRANKFURT had a quiet day in spite of takeover stories. Equities registered a technical recovery, the DAX index closing 9.43 higher at 1,572.68 after a 8.24 rise to 646.06 in the FAZ.

Banks and the big insurers, still enjoying the strength in the bond market, supported the market. Mannesmann'a takeover of 51 per cent of VDO Adolf Schindling, the measuring and control technology company, left the bidder DM4.50 lower at DM262 before it recovered to close at DM265.20.

VDO was suspended. Siemens, DM2.30 higher at DM623.10, said it was aorry that its own courtship of VDO bad not succeeded and then bid DM225 a share for the 22 per cent minority in Siemens Nixdorf after hours. Siemens Nixdorf was np DM2 at DM180. *Before that, it had been showing* a loss of more than 40 per cent on its end-1990 level.

Mr Ian Macleod, technology industries analyst at County NatWest, said that the cost of consolidating all, instead of part, of Nixdorf's expected losses this year – and of paying for the privilege – could reduce Siemens's expected 1991-92 earnings from DM49.5 to DM44.5 a share.

ZURICH, whicb climbed last week to the position of top European performer in the FT-Actuaries World Indices this year, in local currency terms, finished lower as Wall Street's weak start encouraged profit taking. The Crédit Suisse index 0.7 pc to 510.3.

ISTANBUL fell on profit-taking after the weekend's general elections, which led to the prima minister's resignation yesterday. The 75-share index, np 3 per cent on Friday, fell 58.03 or 2.2 per cent to 2,597.03 in light trading.

Mr Kaya Didman of Turk Economi Bank said that the uncertainty was likely to persist until a new government was formed. Until tben, the index would fluctuate around the same level.

OSLO put on another 1.4 per cent after more sizeable gains last Thursday and Friday. The all-share index rose 6.57 to 481.28 in turnover of NKr336m.

Mr David Longmuir of James Capel said that the market had recovered from the collapse of Norway's second biggest bank, and was responding to firm oil prices and shipping rates.

STOCKHOLM was lifted by strength in Volvo shares. The Affärsvärlden General index rose 10.6 to 988.8 in turnover of SKr292m.

Volvo free B shares jumped SKr18 to SKr353 following a buy recommendation from Bear Stearns, the New York broker. Mr Doug Laughlin of Bear Stearns said that, on a near-term view, the stock was undervalued relative to its asset value and that the company was poised for a sharp increase in its cyclical core business. On a longer-term view, Volvo would benefit from an improvement in its US operations and from the alliance with Renault.

FT-SE Eurotrack 100 - Oct 21

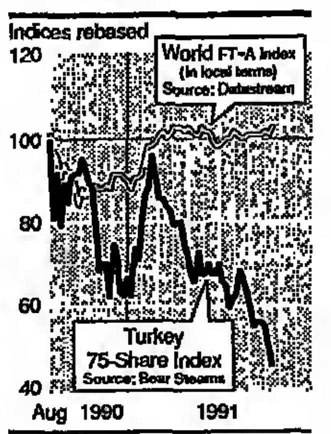
Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1099.82	1099.69	1100.33	1100.67	1100.29	1099.49	1098.70	1097.89

Day's High 1101.02 Day's Low 1097.80

Oct 18	Oct 17	Oct 16	Oct 15	Oct 14
1099.01	1095.78	1095.67	1095.49	1088.51

Base value 1000 (26/10/90)



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 18 1991								THURSDAY OCTOBER 17 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	156.42	+0.1	134.44	128.29	137.32	130.47	+0.1	4.66	156.26	135.44	128.21	138.40	130.28	158.42	112.74	126.70
Austria (20)	163.99	+0.8	140.95	134.51	143.96	144.29	+0.2	1.98	162.74	141.06	133.53	144.13	144.03	222.37	154.82	205.18
Belgium (47)	128.92	+0.4	110.80	105.73	113.17	110.80	−0.2	5.35	128.47	111.35	105.40	113.77	111.04	151.20	118.04	136.76
Canada (114)	140.23	+0.4	120.53	115.01	123.09	114.59	+0.4	3.28	139.66	121.05	114.58	123.68	114.17	142.27	126.49	123.25
Denmark (87)	250.25	+1.4	215.08	205.25	219.68	222.26	+0.9	1.59	246.79	213.90	202.49	218.56	220.35	270.56	217.74	259.27
Finland (15)	85.45	+0.1	73.44	70.09	75.01	74.58	+0.0	3.26	85.35	73.98	70.03	75.59	74.60	125.15	83.69	100.16
France (109)	141.01	+1.1	121.20	115.65	123.78	127.35	+0.3	3.48	139.48	120.90	114.44	123.52	126.96	152.26	119.11	141.38
Germany (65)	105.09	+0.9	90.33	86.21	92.25	92.25	+0.0	2.45	104.13	90.25	85.45	92.22	92.22	125.35	94.15	117.80
Hong Kong (55)	165.52	+0.0	142.26	135.75	145.30	164.74	−0.1	4.43	165.57	143.51	135.85	146.64	164.90	169.98	118.62	121.23
Ireland (18)	158.56	−0.1	136.28	130.05	139.19	141.38	−0.7	3.54	158.66	137.52	130.18	140.52	142.40	182.46	132.88	159.10
Italy (77)	70.47	+0.5	60.56	57.79	61.86	66.42	−0.3	3.49	70.10	60.76	57.51	62.08	66.62	88.23	64.73	85.85
Japan (474)	143.72	+1.4	123.52	117.87	126.18	117.87	+1.4	0.72	141.75	122.86	116.30	125.55	116.30	146.97	118.23	139.29
Malaysia (68)	195.29	−0.4	167.85	160.17	171.43	206.57	−0.5	2.96	196.18	170.02	160.94	173.72	207.57	247.79	169.18	189.93
Mexico (16)	1312.60	+0.4	1128.14	1076.55	1152.28	4394.35	+0.4	1.20	1307.86	1133.60	1073.08	1158.30	4378.49	1312.80	534.45	519.89
Netherland (31)	140.98	+0.6	121.15	115.61	123.74	122.46	−0.3	4.40	140.12	121.45	114.97	124.10	122.73	145.73	125.70	135.27
New Zealand (14)	46.86	−0.6	40.28	38.44	41.14	43.93	−0.5	6.62	47.14	40.86	38.68	41.76	44.15	54.64	41.18	54.34
Norway (31)	190.05	+2.2	163.35	155.88	166.84	171.03	+1.7	1.65	185.87	161.11	152.51	164.62	168.15	223.24	178.58	240.13
Singapore (38)	181.43	+0.0	164.53	157.01	168.05	149.35	+0.0	2.31	191.43	165.97	157.11	169.58	149.39	208.25	151.63	157.46
South Africa (61)	247.47	−0.3	212.69	202.96	217.24	170.37	+0.2	2.85	248.18	215.11	203.62	219.79	170.05	258.85	173.00	160.25
Spain (53)	151.80	+0.8	130.46	124.50	133.25	122.53	+0.3	4.47	150.58	130.52	123.55	133.36	122.18	171.12	131.51	147.80
Sweden (25)	180.51	+1.0	155.14	148.05	158.46	164.81	+0.4	2.71	178.72	154.91	146.64	158.29	164.10	204.12	146.60	172.61
Switzerland (59)	95.42	+1.8	82.01	78.27	83.78	87.29	+1.0	2.21	93.70	81.21	76.88	83.00	86.47	100.67	82.17	95.13
United Kingdom (240)	178.61	+1.3	154.37	147.30	157.65	154.37	+0.4	4.80	177.38	153.75	145.53	157.08	153.75	187.44	156.27	163.80
USA (526)	159.44	+0.1	137.03	130.77	139.97	159.44	+0.1	3.03	159.24	138.02	130.66	141.04	159.24	161.02	125.95	125.76
Europe (827)	139.85	+1.1	120.20	114.70	122.78	122.08	+0.3	3.93	138.34	119.91	113.51	122.53	121.74	151.52	125.50	138.50
Nordic (108)	179.78	+1.3	154.51	147.45	157.62	165.72	+0.8	2.09	177.45	153.81	145.60	157.18	154.53	200.81	155.55	185.23
Pacific Basin (718)	143.93	+1.3	123.70	116.05	128.36	119.05	+1.2	1.05	142.14	123.20	116.63	125.89	117.82	145.92	117.96	137.86
Euro−Pacific (1545)	142.66	+1.2	122.61	117.00	125.23	121.11	+0.9	2.17	140.98	122.18	115.66	124.85	120.08	147.66	121.29	138.49
North America (640)	158.17	+0.1	135.94	129.74	138.87	156.40	+0.1	3.04	157.85	136.81	129.81	139.81	156.18	159.68	125.81	125.52
Europe Ex. UK (587)	116.43	+1.0	100.07	95.51	102.23	103.64	+0.2	3.25	115.31	99.95	94.63	102.15	103.44	129.80	103.58	122.53
Pacific Ex. Japan (244)	145.90	+0.0	125.40	119.68	128.09	128.47	+0.0	4.29	145.97	126.52	119.78	129.29	128.53	147.60	111.40	120.32
World Ex. US (1736)	144.38	+1.1	124.10	118.43	126.78	122.41	+0.8	2.22	142.77	123.75	117.15	126.45	121.41	148.16	122.32	138.41
World Ex. UK (2022)	145.40	+0.7	124.97	119.26	127.65	131.96	+0.8	2.25	144.38	125.14	118.47	127.88	131.19	145.77	120.08	129.95
World Ex. So. Af. (2201)	147.74	+0.8	126.98	121.19	129.71	133.78	+0.6	2.51	146.60	127.07	120.30	129.85	133.02	148.66	122.92	132.79
World Ex. Japan (1788)	152.28	+0.5	130.89	124.91	133.71	142.64	+0.2	3.40	151.80	131.40	124.39	134.28	142.58	152.85	126.69	130.99
The World Index (2262)	148.39	+0.8	127.54	121.71	130.27	134.09	+0.6	2.51	147.28	127.64	120.83	130.43	133.33	149.01	123.28	132.96

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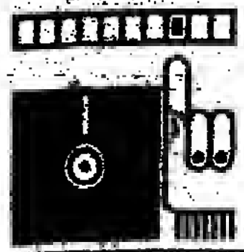
NETWORKING AND OPEN SYSTEMS

SECTION III

Tuesday October 22 1991



The computer industry and its customers have been shaken and confused by the speed of development of the open systems movement. Yet the emergence of industry-wide standards promises a new era of efficient and effective computing, writes **Alan Cane**

The age of the answer

THE GLOBAL computer industry is in crisis with a majority of companies showing reduced sales and profits. A major cause is the rapid rise of open systems which are forcing down hardware prices.

Computer users worldwide are faced with a bewildering choice of computing options and many are holding back from further investment in data processing until the confusion dies down. Again, a major cause is the growth of open systems.

It is ironic that open systems are harming computer suppliers and confusing customers; they have been heralded as an important stage in the maturation of the modern computer industry, yet seem to contain the seeds of its destruction.

From the customers' point of view, open systems should open the door to a new era in efficient and effective computing. Open systems should give them "freedom of movement" in three key areas: portability, compatibility and scaleability.

Portability will give them the freedom to move across different computer makes and models. Compatibility will give them the freedom to move easily from one open system to the next as technology changes. Scaleability will enable them to move between systems of different sizes.

Mr Geoffrey Morris, president of the international X/Open group which "kitemarks" open systems-compliant products, points to the masses of data trapped in "closed and isolated information ghettos of government and corporate systems around the world.

"We have got to get out of those information ghettos and get rid of the constraints. Until now people have been able to ask questions of information systems but they seldom have been able to get the right answers – or even an answer that is close to their question. Tomorrow has got to be the age of the answer."

But first the confusion will have to be dealt with. Open systems can be defined in as many ways as there are people prepared to commit themselves to a definition. There are, in addition, geographic variations. In Europe, the term traditionally means computer systems which obey the rules of open systems interconnection (OSI) and so can be easily connected together. In the US, an open system is more likely to be taken as meaning one which uses the Unix operating system or one of its variants.

To all intents and purposes, however, "open" in computing terms simply means obeying agreed industry-wide standards. Virtually every manufacturer of hardware or software now claims to offer open systems. From the customers' point of view, it often seems as if every manufacturer is offering a different open system, and therein lies the confusion.

The personal computer operating system MS-DOS is an open system, although one imposed on the industry through the success of the IBM personal computer rather than agreed by industry participants. Some 35,000 computer programs have been written to run under MS-DOS.

Nobody could pretend that it has much elegance as operating software, but any software developer writing an application programme to run under MS-DOS knows there is a huge market for his efforts.

The development of the open systems movement occurred in two phases, the first chiefly concerning OSI, a long-drawn out battle by the world's standards bodies to establish the rules of the game, the second a frantic jockeying among the major computer groups to become associated with whichever version of the Unix operating system will become the world standard.

OSI is a set of rules which sets out in detail how computer systems of different manufacture should be connected together if they are to function as part of the same network.

Before the world's standards bodies had begun work on OSI, International Business Machines, which has been responsible for imposing more standards on the data processing business than any other manufacturer, had developed its own rules, Systems Network Architecture (SNA) for the interconnection of IBM systems into networks. Companies wishing to attach their equipment to IBM networks had to obey SNA rules.

There was, therefore, powerful pressure, especially from European computer companies, to establish OSI as the world interconnection standard, so depriving IBM of its advantage and "levelling the playing field".

The Unix bandwagon developed out of the increasing power and complexity of microprocessor chips, and the need to find an operating system for small and medium-sized companies capable of utilising the power of the new chips while free from the controlling influence of any single manufacturer.

The operating system – an internal traffic policeman that controls flows of information through the computer and allocates resources like disc drives – is critical to the kind of software a computer can run. The leading software developers want to write programs for the broadest possible market – in other words, for the most successful operating system.

Systems built from standard microprocessor chips and running a standard Unix operating system command inherently smaller gross profit margins than proprietary systems.

Even if its installed base is quite small – figures suggest that spending on Unix-based systems may be only 16 per cent of the total hardware investment in the US at present – the presence of low-cost, powerful Unix machines in a manufacturer's catalogue has the effect of depressing the price of proprietary systems.

Ms Pauline Swift, a senior consultant with the Programmes Group, argues that as hardware is becoming more marginal to the creation of value in computing, defining how computers are used and not how they are manufactured is becoming a key point for computer vendors. She says computer makers must now:

- compete on utility rather than power;
- monopolise sources of added value;
- maximise the sophistication of the value delivered while minimising the sophistication of the technology.

In the past few months it has been brought home with increasing force to computer companies that too strict an adherence to standards is a self-limiting strategy. At a certain point, a company cannot be more open than its rivals.

This goes a long way to explaining the new spirit of co-operation among the groups vying for leadership in the Unix "wars". The industry has polarised around two groups. One, the Open Software Foundation (OSF) including IBM, Hewlett-Packard and Groupe Bull has developed what it calls a distributed computing environment (DCE).

Unix International (UI), with more than 140 supporting companies including AT&T and Sun, is committed to a version of Unix called System V Release 4. (SV.4)

A few weeks ago, it announced a scheme which it calls UI Atlas. It has three telling points. First, the so-called Unix wars have hurt Unix and the open systems movement by spreading confusion among customers. Therefore, it proposes compatibility between SV.4 and the OSF's DCE.

Second, Unix needs to improvesecurity, throughput and its ability to handle live transactions before it can compete fully with proprietary systems.

Third and most important, suppliers can get limited value from slavish adherence to open standards. There must be latitude to differentiate themselves one from another if anybody is to make money in the open systems marketplace.

The UI Atlas scheme may seem a small development in a world full of warring factions – the ACE consortium including Compaq and the Santa Cruz Operation and the new alliance between IBM and Apple are just two examples.

But it does suggest there is light at the end of the Open tunnel both for suppliers and their customers.

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Design *Robin Coles*
Graphics *Bob Hutchison*
Editorial production *Gabriel Bowman*

NETWORKING AND OPEN SYSTEMS 2

Progress is at last being made on getting computers to communicate, reports **George Black**

Popular wave for computing's 'Esperanto'

OPEN Systems Interconnection, the International Standards Organisation proposed method of getting all makes of computers to communicate, is regarded by cynics as the industry'a Esperanto.

They say the idea of a universal language is just a pipe dream. But there bave been signs recently that they could eventually be proved wrong.

OSI has been built on a seven-layer model of the data communications world, ratified in 1983 and developed within the committees of the ISO. Experts comment that there are few areas of the model which are still completely blank.

Yankee Group Europe surveyed the European market last year and concluded that there was still a vicious circle created by users waiting for products and suppliers waiting for demand. But nearly half of the largest users had embarked on OSI implementation. Three-quarters of those in the public sector bad done so, but in the private sector the trend was a lot more sluggish. Banking and finance firms were the keenest.

Mr Nick Bush, a senior consultant at Butler Cox, likewise sees indications of that vicious circle beginning to be broken. "IBM and Digital now support many of the major OSI standards. The picture is not so bleak as some have been painting it," he maintains.

Europe was the leader in OSI in the 1980s, with leading manufacturers sncb as ICL and Bull backing the movemeut. The European Commission's European Procurement Handbook for Open System (Ephos), one of the prescribed books for prospective snppliers and users, is OSI-based.

OSI is being driven to a great extent by governments. Gosip (the government OSI profile), a simplified version introduced in 1988 by the UK government's central computer and telecommunications agency (CCTA), has been adopted by European governments and become a catalyst for OSI.

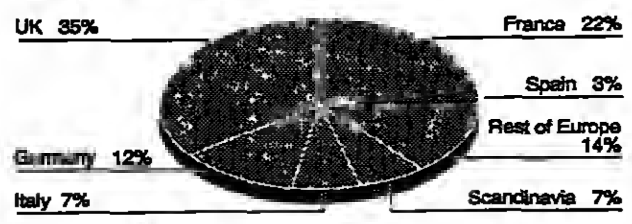
It lays down the open systems conditions which must be met by bidders for public sector contracts. OSI's promoters think that Gosip will soon be endorsed by private companies, too.

The US government adopted Gosip last year, with minor amendments. Bnt in the US there is still much less interest in OSI than in Europe.

In the UK open systems have been popularised since tba mid-1980s by the Department of Trade and Industry. This had a beneficial effect in stimulating tbe market, bnt also raised expectations before many OSI options were available. There was an over-reaction of scepticism which needs to be overcome.

OSI market in Europe - 1989

Total market : $88.1 million



Source: Frost & Sullivan

Three OSI demonstrator projects are run by the department, at Northampton Health Authority, Aston University and the Automobile Association (the AA). These have had a mixed reception, an official said; those who have seen them have generally concloded that the concept was right but the cost of new equipment, planning, implementation and training was still too high.

The advance of OSI has been delayed by the growing popularity of an easier, ad hoc solntion known as TCP/IP (Transmissiou Control Protocol/Internet Protocol). This is the US Department of Defense's standard for communications between machines based ou Unix open operating systems.

Many users setting np Unix networks have preferred TCP/IP to OSI, though often seeing it as only a temporary solution on the way to OSI.

The DTI still believes that OSI will be the eventnal winuer, though it concedes the evolution is taking longer than it expected. In the short term, it says, pragmatic solutions such as TCP/IP may be needed, bnt in the long term OSI should prove more robust and have fuller functionality.

An OSI products guide, published by Technology Appraisals with research funded by the DTI, goes into its second edition shortly; it lists bundreds of products from around 80 suppliers.

Tha first edition did not sell as well as hoped; an official said prospective OSI users were still being very cautious. But he thought the barrier was now mainly psychological.

The DTI is to publish an OSI migration guide to complement the products guide. Some top vendors are likely to bring out their own literature to encourage users to make the move.

Each of the three big trading blocks – the US, Europe and the Pacific Basin – now has its own forum or workshop for determining bow OSI standards can be implemented and reflecting the content of Gosip.

To the outsider, the world of OSI seems to have so many administrative and advisory bodies that the mechanism appears absurdly complicated and more likely to hinder than belp the diplomatic process. Insiders argue thet the nature of the subject is just so complicated that this is the only way it can be done.

Progress is being held up by a lack of flesh on some of the bones of the ISO model. This is especially true at the higher levels, affecting the user's applications, such as transaction processing and network management.

Transactiou processing has had to wait while other applications such as file transfer and electronic mail, seen as more urgent by users, were being addressed.

The rapid spread of Unix-based systems in the past few years bas turned OSI-based transaction processing into one of the users' priorities. The vendors are now scrambling to make such systems work.

As a result of the remaining inadequacies of the OSI model, acceptance of its standards is patchy. X.25 is a well-established OSI standard for connecting equipment to packet-switched networks. FTAM (File Transfer Access Mode) has been popular in Europe as a standard for file transfer.

But although users say they want OSI-based electronic mail and network management, they have been slow to take up the options, X.400 and X.500. Nor has Map/Top, the Mannfacturing Automation Protocol/Technical and Office Protocol, advanced as quickly as its advocates supposed it would.

OSI prodncts vendors are having to be patient and find other sources of income while the market emerges. Dowty Communications has been marketing a range of OSI hardware and software products for around four years now. Mr Chris Anderton, its marketing manager, says that up to now there has been more interest in its TCP/IP range than in OSI.

Mr Geoffrey Morris, president and chief executive of X/Open, a consortium of computer suppliers and customers which aims to create a common applications environment (CAE) based on the most useful formal and de facto standards: "Tomorrow has got to be the age of the answer" he says

Systems Network Architecture

Pressure on IBM grows

WHEN IBM movad its networking systems headquarters from the US to the UK this year, it recognised the paramount importance of the issue to its biggest European customers.

Networking is at the top of their agenda, as tbe single European market approaches and the eastern balf of the continent becomes accessible. About 40,000 of IBM's users worldwide rely on Systems Network Architecture (SNA), its proprietary method of councting computers.

SNA was introduced in 1974, originally to handle the need for a single terminal to address several applications. Befora long, standardisatiou was being demanded as users wanted to link equipment from various vendors.

In 1982 IBM began to respond by opening up SNA. In 1986, when it launched Open Commnnications Architecture and published details of the SNA interfaces, IBM allowed other manufacturers to connect to its machines.

The primary need among the largest IBM users at that time was to be able to manage communications between IBM mainframes and Digital VAX minicompnters. IBM bad to acknowledge the permaneut place of Digital in the industry.

IBM has invested in OSI. But it regards SNA, still dominant in the IBM user community, as the networking standard

The changing balance of power was shown by its establishmeut of a Multivendor Coexistence Centre in Dallas, Texas, and a similar one in France, aimed at coping with the practical problems of interconnectiou with VAXes and other equipment.

From the mid-1980s, information technology directora began to want a language which would be common to all makes of computer; that language was intended to be Open Systems Interconnection (OSI), the standard being developed by the International Standards Organisation.

IBM therefore invested in OSI in parallel with SNA. But it still regards SNA as the *de facto* networking standard. SNA remains dominant in the IBM user community, where OSI has so far gained only around 100 users.

The reasou for this, according to Mr Bob Anderson, manager of marketing communications for IBM Networking Systems, is simply that developing OSI was a lot harder than anyone anticipated.

"It probably should not surprise us that OSI has taken so long," he says. "It is not like an electric plug. There are so many difficulties to be overcome to get two systems to connect properly."

Mr Anderson argues that users today still see SNA and the US Defense Department'a TCP/IP (Transmission control Protocol/Internet Protocol) as immediately practical solutions, whereas they see OSI as their bope for tbe future. Asked to predict the future take-up of OSI, he says: "Everyone, evarywhere – some day."

Many commentators believe that IBM is deeply negative about OSI, as well as about open operating systems based on Unix software, because its profits rely so heavily on proprietary systems.

Though IBM is well represented on open systems standards bodies, its role is that of observer rather thau supporter, critics claim.

But Mr Anderson insists that while OSI is still immature IBM has no choice but to continue to give priority to SNA. So IBM's Raleigh, North Carolina, SNA research and development operation is still funded more highly than its Rome OSI laboratories.

IBM bas snbstantlally increased its investment in OSI since 1988, when it announced its OSI Communications subsystem to let its users communicate witb uon-IBM machines through OSI protocols. But Mr Anderson believes that SNA, OSI and TCP/IP will coexist for the foreseeable future.

At present, SNA is the best choice for the mission-critical applications of major users, with the richest set of software to support it, he says. Many of the world's largest organisations – banks, manufacturers, public bodies – would grind to a balt if their SNA system failed.

In the US, SNA certainly still enjoys users' confidence, partly because of greater loyalty to IBM than exists in Europe and partly because of fundamental differences in the markets.

Some users, however – mainly in Europe – have been pressing IBM to move faster towards OSI. These users typically want less focus on the IBM mainframe and want to adopt some OSI standards, such as X.25 for connecting equipment to packet-switched data networks.

IBM has sought to reassure this pressure group. Last year it made a strong endorsement of the Gosip (Government OSI Profile) protocols which are essential to bidders for public sector contracts.

In September it made a set of announcements of products and Intentions for networks, including clarification of its Systems Application Architecture (SAA) framework and within SAA its System-View strategy covering SNA and OSI.

The announcements focused on its NetView product, which enables users to view and control their multi-vendor networks from a single workstation. In promoting NetView, IBM is playing to its SNA strengths, as users generally see SNA as much superior to OSI in network management.

Mr Dave O'Brien, UK managing director of Candle, a software bouse which is a member of IBM's new System-View International Alliance, says that all the vendors have underestimated the effort needed to make OSI work.

In promoting NetView, IBM is playing to its SNA strengths, as users see it as superior to OSI in network management

In setting up the alliance, IBM was acknowledging that it needed help on both SNA and OSI, he adds. IBM will work through "design councils", an inner circle of systems software specialists, to try to sort out the troubles of multi-vendor sites.

Mr David Williamson, managing director of IMI Computing, which serves many IBM users, says that IBM is coming under increasing pressure to move faster towards OSI, especially as a result of the growing success of its Unix-based RS/6000 mid-range machines.

SNA stood In the way of users wanting to achieve hardware independence, he said, but IBM was listening to its customers and had now recognised the strength of feeling for open systems.

SNA will continue to have a wider ranga of supporting products than OSI for a "number of years. That can change when IBM wants it to. SNA's share of the networks market will probably fall slowly through the 1990s, as OSI matures and as users downsize to smaller machines."

Nevertheless, any thoughts of its decease "are certainly premature," says Mr Williamson.

George Black

'Proprietary systems are not a scenario for survival any more'

Digital opens up its Decnet network

DIGITAL promised to move its Decnet proprietary network to an open systems environment about two yeers ago and finally delivered the goods this summer.

Mr Keith Baker, the company's open networks marketing maneger, admits it is around a year later than had been hoped, but says it was thought more important to ensure that the product did everything required than to meet a target date for completion.

Decnet now supports both the Internetional Standards Organisation's Open Systems Interconnection (OS1) and the US Department of Defense's TCP/IP (Transmission Control Protocol/Internet Protocol)

The scope of the system has helped to dispel some of the cynicism that tends to accumulate in the computer industry

The market grew so fast that it became hard for even the leaders to keep up

whenever announced prodncts do not materialise on time.

Digital Networking Architecture, as Decnet was originally called, is now installed in an estimated 100,000 sites worldwide, amounting to some 4.5m end-users.

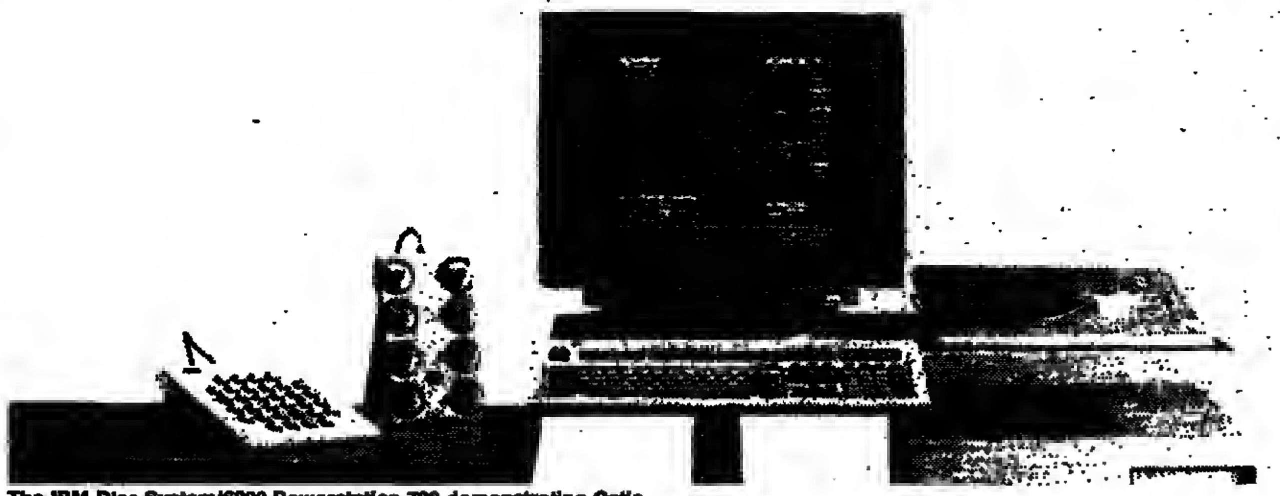
It began life in 1975 – soon after IBM's Systems Network Architecture (SNA) – in similarly humble circumstances. Having first been developed by the company for its own use to link its PDP-II minicomputers and other proprietary equipment, the Decnet Phase 1 product was unsophisticated, handling only file transfers within small networks.

The 1978, Phase II version replaced file copying by remote access to files and a basic form of network management. By 1980, when Phase III was introdnced, local area networking had been expanded to wide area networking with communicatlons across the public phone system.

As users began to look for communications between various makes of machine, Digital responded in 1982 with e Phase IV Decnet, incorporeting Xerox's Ethernet standards and limited compatibility with IBM'e SNA.

Between Decnet Phases IV and V there was e much longer gap, eventually amounting to nine years. This was mainly because the market grew so fast and became so complicated by the number of new vendors, prodncts and standards that it became hard for even the leaders to keep up with all the changes.

This complexity drove Digital, along with others, towards OSL. In 1989 it announced a programme for achieving full 051 compliance, hoplng to carry it out in six to nine months.



The IBM Risc System/6000 Powerstation 730 demonstrating Catia

"Standards hit up against the real world," says Mr Baker.

In particular, the design of the new system had to be changed to take account of the unexpectedly rising demand for TCP/IP.

As late as 1989, Digital was *still doubtful about* the *future* of Unix and believed that its appeal might be limited to certain sectors such as universities. Its support for TCP/IP, which serves Unix users, was therefore correspondingly restricted.

When Digital became eware that the Unix bandwagon was at last rolling, major changes to Decnet Phase V became necessary.

Whereas Unix has become universally eccepted in the *past couple of years*, the *same* is not true of OSI, Mr Baker notes. The take-up of OSI has been slower than was foreseen both because vendors have had trouble in creating the products and because users have found the transition harder to undertake than they anticipated.

"They recognise that they must move to OSI, but the prohlem is how," saye Mr Baker.

Meanwhile, Decnet has now reached *almost its ultimate* stage of development, in his view. "The kitbag of standards is now almost full, unless this is invalidated by some completely new technology," he says.

Opinion is still divided on how wholehearted Digital's conversion to open systems is. Many in the industry believe it is more willing than IBM to drop its proprietary products in favour of those open ones now wanted by a fast-growing *number of users*.

On the surface, its switch from a proprietary to an OSI-compliant Decnet, as from proprietary operating systems to accommodating Unix, indicates a desire to move as rapidly as possible to the brave new open world.

This would imply a recognition that Decnet, despite its huge user base, was not a strong enough *de facto* standard to withstand the stampede to open systems; but that, hitched to OSI, it could become a force comparable to IBM'e SNA.

There is certainly evidence to justify this interpretation. Digital has some 200 software houses helping with its Network Application Snpport (NAS), its equivalent of IBM'e Systems Application Architecture (SAA) framework. Many of these are said to be engaged on OSI work.

The company has been proactive in developing the layers of the model where needed, for instance contributing to X.500, the network management standard which is generally thought a weak spot in OSI.

It has also joined the Office Document Architecture (ODA) consortium, which is trying to develop the OSI standard for document exchange between *different systems*.

However, Ms Andrey Mandela, research director of consultancy Yankee Group Europe, suggests that although Digital's direction is clear, its speed of movement may not be as fast as users want. It could be delayed until full value has been extracted from some of its proprietary products, she thinks.

Software houses report e favourable reaction to Decnet Phase V. Mr Neil Proctor, e sales support manager at Hoskyns, says that users now feel Digital is committed to open systems, even though it may take time to turn its organisation around.

Mr Phil Brobyn, a technical consultant at Fraser Williams, says the enhancements will be welcomed, though at present users are asking for the TCP/IP features more than those for OSI.

The important question for Digital now is whether its users will baulk at the time and cost needed to take up OSI.

This year the company began a project for licensing

The question is: will users baulk at the time and cost needed to take up OSI?

Decnet. Potential clients are either *Unix or proprietary* systems vendors seeking to help their clients connect to Digital equipment among the first licensees to be announced is Olivetti.

Digital's Mr Baker believes *there will be considerable* interest in acquiring snch licences "because proprietary systems are not a scenario for survival any more."

George Black

THE US INITIATIVE

Protocol that should survive

TRANSMITTING DATA from computer to computer requires agreed standards, referred to in the communications world as protocols. Communications protocols lurk in the depths of computer hardware, and by their very nature the end-user should not need to address them directly.

To tackle the order of battle in the protocol war, you must first brace yourself for a barrage of initials. But it does help to understand that protocols are governed by the same rules as the rest of the IT industry: namely, that scientific measurements are hard or impossible to come by, and behind every technical observation lurks a good old-fashioned personal opinion.

In 1978 the US Defense Advanced Research Projects Agency (Darpa) launched a plan to beef up computer links between research establishments and universities across the US. Darpa enjoys a mixed reputation among the US scientific community. Riding high on the defence spending boom of the 1980s it dedicated millions of dollars to the Darpacar, a six-legged anthropomorphic jeep of latticed steel that jogged around the Darpa parking lot to no great end and broke down frequently.

With compnter communications Darpa wes on firmer ground. It had already established the Internet computer network in the mid-1970s. Pentagon funding and a heavy political hand across US technology R&D ensured that Darpa's vision of communications protocols prevailed. By 1983 the vast US academic computing community had adopted Darpa's Transport Control Protocol/Internet Protocol (TCP/IP) wholesale.

Darpa sponsorship accelerated TCP/IP through the standards bureaucracy. This formidable backing enebled the TCP/IP community to arrive at e definite version. Settling in on US campus, TCP/IP became inextricably with tha Unix operating system. As Unix shed its laboratory coat image and entered the commercial arena, TCP/IP arrived in its wake.

Manufacturers Unisys and Hewlett-Packard wrote TCP/IP links into their hardware and software offerings. And with a huge worldwide user base the protocol acquired a loyal following. These standard bearers can be relied upon to rally around TCP/IP whenever Open Systems Interconnection (OSI), the EC-endorsed international protocol, rears its head.

"TCP/IP is efficient and pervasive and most vandors support it. Anybody who uses OSI today is really only doing so because of government constraints. OSI itself is staggeringly complex," says Mr Cliff Wilson, a telecoms executive at management consultants KPMG. Its internal network employs TCP/IP to keep Macintosh and IBM PCs and Digital Equipment and Prime minicomputers in constant communication. He says that TCP/IP is cheaper than OSI by e factor of three to one.

It is a good, straightforward common denominator between *disparate computer systems* according to Mr Wilson. Unfortunately, this is exactly what people say about OSI. Mr Dermot Dwyer, of the National Computing Centre's open systems group, talks of horses for courses. "What makes TCP/IP worthwhile is what runs over it. *The Simple Mail Transport* Protocol (SMTP) is e perfectly good electronic mail system for a Unix environment."

Mr Dwyer does not accept that all TCP/IP based systems are instantly compatible. He thinks that political support should make OSI's triumph inevitable. The government's Central Computing and Telecommunications Authority (CCTA) has just issued a four-stage guide for public sector compnter sites shifting from TCP/IP to OSI. The migration is intended to be a painless exercise that installs full OSI compliance by 1993.

The two cost centres for transition are the purchase of OSI communications software (not too steep) and the inevitable consultants' fees (systems consultancies will make a tidy sum).

The CCTA can exert pressure on public sector computing. But there is no pressing influence on commercial users. TCP/IP does not demand rare and expensive skills as its academic foundation guarantees a regular supply of experienced graduates. Sun Microsystems has enjoyed phenomenal worldwide sales with its range of Unix workstations. Local networks of Sun machines are governed by the Network File System (NFS). This is a piece of software sold by Sun but written around TCP/IP. Sun users are not about to convert to OSI *en masse*.

"There is a lot of interest in OSI, bnt they're not rushing out to buy it," says Mr Jonathon Mills, Sun's UK desktop product marketing manager. "TCP does all the work they need doing at the moment."

Mr Mark Hollister, network marketing manager for Hewlett-Packard in the UK, says his company has long had an aseocietion with TCP/IP because "it is practical and e relatively simple way of controlling and monitoring information from different devices."

These benefits may come to be appreciated by beleaguered motorists on the M25. As part of e £65m Department of Transport scheme to provide more information on traffic conditions, police control offices for the motorway are being linked to electronic road signs via e Hewlett-Packard computer network. Two lines of text will be flashed up on digital displays, giving data on alternative "A" road routes for drivers facing queues. After all the official backing for OSI, this high-profile *state sector project is relying* on TCP/IP signalling.

Mr Paul Negus, e DoT consultant from systems house IPL, explains that by choosing TCP/IP the DoT kept its future options open. "It's e protocol for any machine on the market." The DoT is not bound to stay with Hewlett-Packard, and this flexibility is what the open systems debate is all about.

If government standards cannot override the technical judgment of the DoT, then TCP/IP is guaranteed a long lease of life. The list of OSI programmes and tools will grow, rendering that protocol ettractive. Bridges between OSI and TCP/IP will develop. Depending on your allegiances, this *entails OSI either embracing or* absorbing TCP/IP. The experience of hardware suppliers and the loyalty of its fans suggests that the protocol from Darpa will be around for a long time to come.

Michael Dempsey

NETWORKING AND OPEN SYSTEMS 4

Louise Kehoe looks at software standards

Truce to boost sales ends Unix wars

THREE years after the industry erupted in battles over software standards for open systems, computer makers remain deeply divided, but bostilities have been suspended. Rival groups supporting alternative versions of the Unix operating system are stressing the similarity of their efforts, rather than squabbling over differences.

Slowing salee growth in most markets has forced computer manufacturers to refocus their energies on efforts to boost sales. In the process, the industry has recognised that users are tired of the industry infighting, which has created widespread confusion rather than making it easier to hook different types of computers together.

"There is no qoestion that perceived or real problems over different approaches to open systems have stalled sales," acknowledges Mr Peter Cunningham, president and chief executive of Unix International, an industry standards group formed three years ago by AT&T and Sun Microsystems which now has 245 members.

The key word now is "harmonisation", Mr Cunningham maintains. The unification of multiple conflicting approaches to open systems is essential if the open systems movement is to continue its momentum, and "take out" proprietary systems, he says.

It appears highly unlikely, however, that computer makers will ever settle on a single "standard" version of Unix, the AT&T operating system that has been at the centre of the industry squabbles.

Unix International has endorsed AT&T's latest version of Unix, called Unix System V Release 4, while the rival Open Software Foundation, the founder members of which include International Business Machines, Digital Equipment and Hewlett-Packard, last year launched its own version of Unix, called OSF/1.

In spite of this schism, significant progress is being made toward creating standards that will enable different types of computers to work together efficiently and share applications software. In a landmark event for the open systems movement, OSF recently announced availability of its Distribnted Computing Environment, a new layer of system software that enables different types of computers running different operating systems, including proprietary software, to inter-operate.

"DCE will preserve existing investments in computer hardware, software and networks, and make future product and technology purchases more valuable," says Mr David Tory, OSF president and chief executive.

DCE is a layer of software that resides between a computer's operating system and the application program. It is not dependent on any one operating system, and enables applications to he segmented and run on whichever part of the networked system is best suited to the task.

In a significant step toward creating true industry-wide standards, OSF has agreed to license its DCE to Unix International.

DCE has also received the endorsements of big computer users inclnding the European Commission and Japan's Nippon Telegraph and Telephone. "DCE is tbe common tecbnology denominator between industry standards groups," says Mr Tory of OSF.

Unix International is also moving forward. Recently the group announced plans to develop a framework of specifications for open eystems, which it calls "UI-Atlas". The Atlas expands the scope of open systems software far beyond the Unix operating system to encompass a broad set of system functious ranging from transaction processing to systems management and the graphical user interface.

By outlining its plans, Unix is attempting to resolve disputes over competing "standards" that have split the computer industry into *duelling factions in the past three years.*

"UI members recognised it was essential to build functionality on top of Unix if open syetems were to continue to grow and knock out proprietary systems," explains Mr Peter Cunningham, of Unix International. By defining "reference technologies" and developing standard interfaces to link them, UI will specify how a hroad range of computer products can be incorporated into an open system environment, while leaving it up to computer manufecturers and software developers to create competing yet compatible products.

This will enable computer users to choose from a wide range of hardware and software products that they can be sure will mix and match in multi-vendor information systems.

Addressing a fundamental concern among computer manufacturers, UI plans to define interface specifications that give competing companies scope to design tbeir own implementations of open systems, and differentiate them from those of competitors in the open systems market, thus avoiding the "commoditisation" of their products. By outlining its plans, UI is also attempting to resolve some of the disputes over competing "standards" that have split the computer industry into dnelling factions over the past three years.

The industry group has endorsed a set of "reference technologies" that will form the basis of its UI Atlas framework. These will become available over the next two to three years and will include technologies developed hy several UI members and non-members that cover all aspects of inter-operability and application portability.

In a shift of emphasis that resolves one of the wide differences of opinion over open systems, UI has also acknowledged that existing proprietary system software technologies must be integrated with open systems to protect the value of the vast installed base of proprietary systems.

For all of the excitement generated by open systems, computers running variants of the Unix operating system still account for only about 15 per cent of the world compnter market.

Momentum behind the trend toward open systems is, however, growing. IBM, long viewed as the fortress of proprietary systems, recently announced plans to offer AIX, an OSF compliant version of Unix, on its largest mainframe computers. The industry giant has declared its intention to become a "leader in open systems".

Other converts to open systems include Digital Equipment, which is placing increased emphasis on software standards; and Unisys, which bases its product strategy on the open concept.

Hewlett-Packard has made a broad commitment to Unix and open systems, while Data General has created a line of open systems products with which it aims to restore itself to financial health.

NCR, recently acquired by AT&T, is also a leading open systems advocate along with Sun Microsystems, the workstation market leader. Even Apple Computer, a company built on the superiority of its proprietary systems, has howed to the inevitable. Through its recently signed agreements with IBM, Apple will adopt a version of Unix and attempt to transform its popular graphical user interface into an industry standard by licensing it to other computer makers.

Indeed, the computer company that lacks an open systems strategy is today the exception, rather than the rule. The "Unix wars" may be over, but new standards battles will inevitably arise as more companies crowd into the open systems arena and struggle to find the best solutions to the complex problems of making networks of heterogeneous computers behave like homogeneous systems.

CLIENT-SERVER COMPUTING

The promise of paradise

EVERY SOLUTION brings an associated problem in its wake. Even the most enthusiastic of computer users has discovered shortcomings in each new wave of development. The industry's favourite buzzword of the moment, "client-server" networks, comes in the wake of fourth generation languages (4GLs), end-user compnting, personal computers, workstations and other developments of the 1980s.

Client-server networks promise to glue all these elements together in one welcoming "supermarket" of software products and processors, from which the user can pick whatever takes his fancy, without bothering about where data is kept, or where processing is performed.

As its name suggests, client-server computing is a form of compromise, promising to deliver a paradise where all users get the best of all possible worlds at the smallest possible cost. Research carried out in the US by Forester Research of Cambridge, Mass, suggests that in some cases a client-server model can prove half as expensive as a minicomputer, and one third the cost of a mainframe.

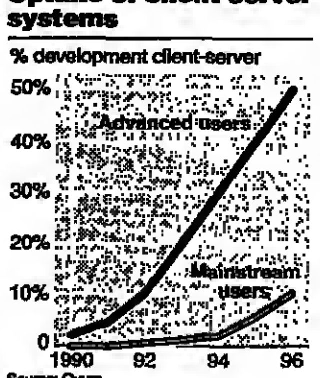
The idea is to take advantage of the processing power which sits on so many desks in the form of workstations or personal computers (PCs), without losing the resources provided by the corporate mainframe or processing unit. Share processing between the PC and the server, argue the experts, and you remove the disadvantages of both forms of service.

In its 1991 report on client-server technology, consultancy Ovum states that most existing client-server networks are in the Unix environment. The move towards the client-server model is said to be fuelled by the twin hardware trends towards improved wide-area and local-area networking, and cheaper processing power and memory on small machines.

On the software side, it is made possible by the emergence of re-usable services, standard "open" environments and object-oriented systems where processes and services are available as "objects" invoked througb self-explanatory icons.

The advantages of the client-server approach are best explained by the shortcomings of what came before.

Uptake of client-server systems



Source: Ovum

End-user fourth generation languages (4GLs) on mainframes belped to reduce the programming backlog, and they eased the delivery of applications to impatient end-users. But 4GLs remained largely the province of computer programmers, and were found by many end-users to be too unwieldy, too unsympathetic to novices, often requiring extensive training and familiarisation.

On the other hand, they kept the user within the corporate fold: the data that users handled was up-to-date, valid and strictly controlled by the data processing department in its role as guardian of the corporste information store.

The PC offered independence to such users at what seemed a low price. Spreadsheet tools such as Lotus 1-2-3 offered ease of use, accessibility and a highly personal base of data. Specific PC database tools, such as dBase, Foxpro, Clipper, and others took the principle further.

Users were able to build up a highly personal collection of data, some of it copied and augmented from corporate records held elsewhere. The PC or workstation has a user-friendly face, often with "windows" and simple graphics tools.

But there are disadvantages in PCs which the client-server approach could overcome. Mr Robin Bloor, of consultancy Butler Bloor, sees the PC as a personal tool with not enough processing power to cope with all the demands made upon it.

"The PC starts as an enabler, than becomes a constraint, the main prohlem being one of fragmentation," he says. "But soon people will start producing tools to manage software for the whole network, so that they can build corporate bridges. Only then will it be possible to build your applications on a PC without sacrificing performance."

The evolution of Guis – Graphical User Interfaces – brings another vital element to the appeal of the client-server solution, since GUIs provide a very friendly environment, and a "gateway" to other processes. GUIs are part of the movement towards a more liberal environment: one demanded by users.

"We've trained something in the region of 3,500 people this year, about 1,500 of them on PC databases, using various PC hosts," says Mr Brian Webb, business development manager of Surrey-based training specialist Compex.

The catch is that little has been written with client-server architecture in mind

"We've detected a shift to the windows-based graphical representation of data. The interface must be intuitive, self-explanatory from tbe moment the user switches on: that is all part of the 'power to the people' movement, towards seeing all data as a corporate resource."

Client-server computing proposes a solution so simple that one is tempted to ask why it has not happened before, and just what is the catch? Ideally, the client-server hangs all computing resources together in a network which embraces PCs, mainframe and other resources.

The processing tasks are parcelled out as and where appropriate, taking place locally on the desktop "client", or centrally on the "server". Servers can be dedicated PCs, minicomputers or mainframes. The allocation of tasks takes place invisibly to the user, who sees only the face of the "client" application, almost always a GUI.

The catch is that little software has been written with client-server architecture in mind. PC database suppliers are among the first to take advantage of SQL, the *lingua franca* of database, to link their PC tools to their big brothers on the mainframe such as IBM's DB/2. Little other applications software exists.

Mr Frank Dodge is the founder and former president of mainframe accounting software vendor McCormack and Dodge, (now Dun & Bradstreet Software). His newly formed Dodge Group intends to provide accounting applications on what he calls co-operative processing environment. "The term client-server has been abused, and is getting muddied like other software terms. We are light years away from the ideal model as yet, and to implement it, software has to be totally redesigned and redeveloped from scratch. You cannot get the benefits of client-server merely by putting a graphical user interface in front of old technology that stays on the mainframe."

Users, he says, need to devolve as much control from the mainframe as possible – applications and databases ought to be delivered to the network on a server. But this means writing extra controls and messaging into the applications. Mr Dodge warns that this will delay the promised land of client-server.

"All of the current software companies and hardware companies like IBM and DEC have vested interests in keeping the software on the mainframe where possible," he says.

Claire Gooding

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Geoff Wheelwright looks at the attractions of local area networks

A trend to attachment

THE STATISTICS are pretty impressive. More than half the world's PCs are already connected to local area networks (Lans) and industry pundits predict that by 1994 there will be more business PCs attached to Lans than there were total business PCs two years ago.

So what is the attraction? Why would any group of level-headed PC users willingly surround themselves with cabling, network adaptor cards and network operating system software to connect up their humble collection of computers? Networks are about far more than just swapping files between a few users. They offer a straightforward and often invisible means of sharing information and resources in even the smallest of offices.

The basic network does not have to be complicated. It is often little more than a collection of cables and special software. Among the features you would expect to find in even a modest office network are:

□ File sharing. This gives instant access to the files you need from other hard discs when you want them; allows shared files to be worked on and updated by an authorised group of people without the confusion of having several versions of the same file at various locations in the office.

□ Printer sharing. This is probably the most obvious resource for sharing, and particularly cost-effective where a high-quality laser printer, colour thermal device or specialist plotter is required for work. Instead of several expensive devices, the network links everyone in the office to the printer and automatically "queues" requests when more than one person wishes to use the printer at the same time.

□ Applications sharing. If you work in an office where several people work with the same application using the same basic structures, set-up files and commands, training becomes easier and general productivity is more effective. For example, a database application is ideally suited for a networking environment, since it means that multiple data entry operators can enter information into the same database file, using the same application over the network.

□ Integrating non-compatible computers. Some offices have a mix of PCs, Macintoshes and Unix workstations to allow them to choose the right machine for the right job. A network which supports such a mixture can solve the problem of incompatible hardware/software by allowing you to work on the hardware you choose and then translate that work into a form that can be understood and used by different makes of computer in the office.

So there is a lot more to networking than swapping a few files around. But when does it become worthwhile buying a network? You would think, for example, that no matter how great the benefits, it would be difficult to justify the installation of a network to link three standard AT-compatible systems in a small office.

But if you link them to a file server which offers everyone lots more hard disc capacity and provide them with the benefits of using new "workgroup applications", then it just might be worth the investment. The answer to the question of the minimum number of PCs needed to make a network worthwhile depends, like any other aspect of personal computing, on both the applications you are tackling now and those you plan to handle in the future.

There are even some, admittedly marginal, reasons for networking two machines. Why throw away your old 286-based personal computer when you buy that nice shiny new 386 or 486? Why not buy a simple network and connect the two? The drivers for CD-ROMs or tape streamers, or whatever else, can then take up space in the memory of the old machine; you can free up some expansion slots and, perhaps best of all, carry on using your old hard disc.

It is surprising how many people think that the issue of whether or not they need a network is defined by how many machines they have — not by the job they expect those machines to do.

Having decided that you need a network, the next step is to consider the key issues in evaluating what is available. The first — and most important issue — is your long-term plans about what you want the network to do.

The minimum number of PCs needed to make a network worthwhile depends on both the applications you are tackling now and those you plan to handle in the future

If, for example, you merely need a short-term solution to sharing files between some low-powered PCs around a small office — and you plan to upgrade the PCs in the near future anyway — you can be flexible in what you buy. There are literally dozens of non-standard, low-cost networks — many of which do not even require special network adaptor cards — that will allow you to connect up these modest machines and share files, and sometimes even printers, between them.

The real fun begins when you decide that you want your applications to be "network aware" and to offer you some of the benefits of true, higher-level PC networking. This means having file and record-locking on your databases so that when you are updating record 3456 on a datafile file, no-one else can get in to work on that same record in that file at the same time — allowing network users of word-processors to carry out "revision-marking" (where other members of your workgroup can pass around an electronic copy of something you have written for them and mark up their corrections without making them permanent) and implementing office-wide electronic mail systems.

To do all this you will need a network which conforms to certain industry standards. There are three to worry about: cabling, network adaptor cards and network operating system software.

Cabling is probably the simplest of choices — it is usually dictated by the adaptor card you use. Among the more popular cabling choices are Ethernet, thin-wire Ethernet, twisted pair, Arcnet, PhoneNet (using US RJ11 telephone cabling) and IBM Token Ring. As for the adaptor cards, they also come in a variety of flavours — including Token Ring, AppleTalk (to allow PC users to connect into Apple Macintosh networks), IBM PCN and lots of others. In addition, a growing number of PCs — such as Apricot's Qi range — come with network adaptors built onto the motherboard of the machine.

With most low-cost networks, however, the whole thing comes as part of a single package — containing cabling, network adaptor card and network operating system software. Sage's mid-range MainLan 286 two to four user Starter Kit, for example, comes with network adaptor cards, cabling, connectors and network operating system software. It is, however, compatible with Novell NetWare and uses standard Ethernet cabling — so that it can be connected into a standard Novell network.

While such starter packs are a useful option when you are getting a modest new network up and running, the real key to success lies in choosing the right network operating system software. And by far the most popular network OS is Novell NetWare — which claims more than 70 per cent of the market and is supported by virtually all major network-aware applications.

For the PC market, two versions of NetWare are worth knowing about. The first is Novell NetWare 2.2 — which Novell recommends for small businesses, professional offices or workgroups with anything from two to 100 workstations on the network. Aside from all the basic features you would expect in an entry-level network operating system, NetWare 2.2 includes a number of "fault-tolerant" computing features such as read-after-write verification of data, disc mirroring and disc duplexing.

NetWare 2.2 will run on any IBM-compatible PC — including old 8088 and 8086-based systems — as well as IBM PS/2 and Apple Macintosh systems. It also claims full compatibility with the network functions of Macintosh System 6.x and Microsoft Windows 3.0 (and updates are on the way for both Mac System 7 and Windows 3.1).

NetWare 3.11, however, is a beast of a slightly different colour. It is designed for more powerful PCs and is a good deal faster than NetWare 2.2, providing support for up to 250 users and including facilities to link into minicomputer and mainframe systems and WANs. There are also a good many more administrative features built into NetWare 3.11. Its remote management facilities, for example, let network administrators service remote servers from anywhere on the network — particularly useful when you have a large network spread around a large office building or work site.

Probably the most important point about NetWare 3.11, however, is its ability to run on a huge variety of hardware and operating system platforms. In addition to running under DOS, OS/2 and Windows — NetWare 3.11 also runs on the Apple Macintosh, Sun Microsystems SPARC machines, HP Apollo workstations, IBM's RS6000, SCO Unix, Steve Jobs' NeXT machine and a number of other Unix workstations.

But Novell is not the only company offering network operating systems. The other major player in the market is Microsoft with its Lan Manager 2.0 — released last year. Lan Manager 2.0 supports both 80386 and 80486-based network servers. It provides automatic configuration for each major server type — including those with 32-bit network-optimised I/O subsystems. This improved support is supposed to speed up all network operations — particularly where disc access is concerned.

Local area networks: how the business is developing

The 'no-brainer' choice

THE local area network (Lan) business is growing much more quickly than the PC industry as a whole and everyone — from software houses to PC hardware producers — is busy trying to hop on the gravy train.

The arrival of effective PC networking standards a couple of years ago initially provided much of the fuel for this growth. More than 80 per cent of the networked market has now standardised on Novell NetWare — and that market share is growing — so the choice of a basic PC network is what US developers call a "no-brainer" decision.

Because Novell offers support for all manner of network configurations, there are few variables in this buying decision to overtax the little grey cells of network administrators.

Novell itself is trying to make the decision even easier by moving into the traditional minicomputer market with support for a number of minicomputer systems. Mr Daryll Miller, its vice-president, says Novell expects great things of Unix over the next few years.

"We felt there needed to be a greater purity in the Unix environment, so that was one of our chief reasons for being a part-owner of Unix Systems Labs (with AT&T)," Mr Miller says. "We want to produce a consistent version of NetWare that is open and supportable so we can move that into a Unix environment."

Though Novell is dominant in the market, it has not yet forced its competitors to roll over and die — there is still a choice for those who seek it out. To start with, whatever you may hear about Microsoft's current attitude to OS/2 and Lan Manager, the fact of the matter is that Microsoft is fighting tooth and nail to keep its foothold in the PC network operating system market.

In fact, only last year Microsoft announced a new version of its Lan Manager 2.0 network software. Now, new versions of Lan Manager will be designed to fit in with Microsoft's Windows NT (New Technology) strategy. This permits Microsoft to offer an environment that runs on anything from laptops and entry-level Intel 80386-based desktop computers at the low end, right up to servers and engineering workstations.

Few variables to overtax the little grey cells of administrators

Meanwhile, Novell has acquired Digital Research — the operating systems pioneer that created CP/M, the GEM graphic environment and the MS-DOS-compatible DR-DOS.

Given Novell's recent tie-up with IBM, there exists an opportunity for the computer industry to shift from a Microsoft/Intel/IBM axis to a Novell/DR/IBM one — with both Borland and Lotus Development playing major supporting roles in helping IBM in establishing this alternative.

It is too early to say what will happen yet and the only safe bet for anyone planning network developments continues to be the "no-brainer" choice of Novell and DOS/Windows — as both are used by so many millions of users that any future PC Lan systems will have to be compatible with them.

Meanwhile, the development of network personal computer applications continues apace. Lotus Development, for example, is one of the PC industry's classic success stories — rising to overnight riches with the development of its original Lotus 1-2-3 spreadsheet in 1982. Despite a huge product line and installed base of users, Lotus has recently been making a big play for the PC network software market.

Mr Jim Manzi, Lotus president and chief executive officer, says that networking and "workgroup computing" (where PC users use specially-designed software to share work over a Lan) are to be major planks in the new Lotus platform — one which appears to be built from the base of the company's Lotus Notes network communications product.

"Our strategy is to enable people to work together by connecting disparate information systems and environments, connecting people to the information they need, connecting products with one another and connecting people with people," he explains.

Microsoft "should mend its differences with IBM"

"By next year, 60 per cent of all PCs will be connected to local area networks. By 1994, there will be more business PCs attached to Lans than there were total business PCs two years ago ... Just as 1-2-3 was the defining application for personal computers in the 1980s, we believe that Notes will be the defining application for network computing in the 1990s.

"While Notes may be the first true groupware product, it is for Lotus the beacon for where we are taking our products. We are well under way with a group spreadsheet product and one can easily imagine group authoring or text and presentation applications."

Finally, there is one wrinkle in the whole personal computer networking business at the moment — and that lies in the role played by the computer operating system. IBM, Microsoft and Novell (through its recently-acquired Digital Research subsidiary) are fighting over who will control the base operating systems upon which PC networks are built. Although Microsoft is heavily favoured to win this battle — with a combination of its MS-DOS operating system and Windows operating environment — IBM is still putting a great deal of resources into developing OS/2, the operating system originally co-developed by IBM and Microsoft as a successor to MS-DOS.

According to Mr Philippe Kahn, founder and chief executive officer of Borland International, the personal computer database company, the battle between IBM and Microsoft is causing problems for the whole industry — including Lan developers. "There's some concern and there's confusion about operating systems," he says. "I think Microsoft would be much better off in mending its differences with IBM. The best thing for the industry and its customers is for more cohesiveness to be shown by Microsoft with the rest of the industry. Really, the ball is in their court."

Geoff Wheelwright

Profile: HEWLETT-PACKARD

It pays to take a Risc

FIFTY-TWO years ago, Dave Packard and Bill Hewlett formed a company in the US to manufacture a resistance-capacity audio oscillator for testing sound equipment.

Today, Hewlett-Packard heads into the 1990s as a force to be reckoned with in its specialised field as an international manufacturer of measurement and computation products and systems used in industry, business, engineering, science, medicine and education, in approximately 100 countries. It employs more than 91,000 people worldwide and had revenue of $13.2bn in its 1990 fiscal year.

Clearly, Hewlett-Packard has enjoyed a sound business plan over the years to survive the rough and tumble of the international information technology industry. Its secret lies in its ability to foresee trends and react quickly.

It was ahead of its rivals in identifying two key trends *driving the computer market*place today. First, the move to standards-based open systems and software, where all makes of equipment work together. Second, the growth of distributed client-server computing in which desktop computers or "clients" are the window into a diverse, integrated network of general-purpose minicomputers, mainframes and specialised servers.

Hewlett-Packard believes that these trends have emerged because many organisations are suffering what it describes as an architectural crisis characterised by product proliferation, technical incompatibility and wasted data.

The company's answer to the problem is an open systems commitment in its broad range of personal computers, workstations, servers and desktop peripherals. Its early commitment to the development of reduced instruction set computing (Risc) architecture, where the speed at which the processors can execute instructions is increased, enhanced its success. Hewlett-Packard spent $1bn changing its whole system range to this technology at a time when even International Business Machines, the world's largest computer manufacturer, was avoiding Risc.

Hewlett-Packard now plays a leadership role in forging industry standards that define the interfaces between *different hardware and software ele*ments, so creating open systems. It is a committed supporter of the Open Software Foundation (OSF), an international group of companies which have merged their technologies to create open *systems standards for others* to follow.

The only cloud on the horizon has been its workstation business

In 1989, the OSF adopted the graphical user interface Motif, which has Hewlett-Packard components and provides users with a standard way to access information. It competes against Unix International's Open Look package from Sun Microsystems.

Last year, the OSF chose Hewlett-Packard networking technologies as components of its distributed computing environment, which enables users to access company-wide information from their own desktop systems. For example, marketing managers can access information worldwide with software they buy off the *shelf*.

They can write a report in ink and get information from Tokyo on manufacturing production schedules and from Chicago on engineering designs. They can also assemble financial results from business units in North America, Europe and the Pacific Rim. The European Commission has endorsed the distributed computing environment.

Last month, the OSF as the standards organisation selected three Hewlett-Packard products to form the core of its distributed management environment, which allows users who manage a worldwide computer network to handle problems from one location. The *aim* is to allow users to view on their own screen a map of the entire network of multi-vendor systems in use and so be able to take fast, appropriate action when a problem occurs.

Emphasising Hewlett-Packard's commitment to standards is its award-winning NewWave graphical software environment that makes advances in the usefulness of desktop computers. NewWave allows applications from different vendors to be tightly integrated and gives a user access to all a computer's functions from a single environment.

NewWave pioneered object-management technology and was the reason why Hewlett-Packard helped found the 70 company-strong Object Management Group. The group's mission is to help the industry create standard interfaces for software "objects" that can be used as applications "building blocks" greatly to improve software quality and productivity.

NewWave has spawned the concept of NewWave Computing, Hewlett-Packard's open systems vision for the future. The aim is to link a variety of computers in a network so they can operate as one. The approach is based on open systems and advanced software technology so that users can build on computing resources they already have.

Users are helped in their task in being able to draw on more than 4,500 third party solution providers who round out Hewlett-Packard's own offerings. Workstation deals include Mentor Graphics at $400m, US West at $25m, NTT at $38m and Nissan at $13m.

Hewlett-Packard has also expanded its relationship with Hitachi by licensing Hitachi to make and sell microcomputers based on HP's PA-Risc architecture. And Oki industry of Japan has teamed up with Hewlett-Packard to build jointly and operate a printed-circuit board manufacturing facility in Puerto Rico.

With the political clout of a standards organisation behind it, and midrange computing systems in good grid positions in the Unix operating system race, Hewlett-Packard looks set further to consolidate its position in the open systems markets of the future. The only cloud on the horizon has been its workstation business which, despite large orders, has not lived up to the promise shown by the company's acquisition of Apollo in 1989.

The problem lies in competition from International Business Machines and its popular RS/6000 system. The only consolation for Hewlett-Packard is that boxes from its rivals Sun and Digital Equipment are also under threat. Hewlett-Packard is reported to be hitting back at IBM by launching top-end mainframes next month, further extending its product range.

Lindsey Nicolle

Profile: OLIVETTI

A veteran after four years

OPEN SYSTEMS have been the main course in computer industry presentations for the last few years. Walk in on any significant manufacturer and you will find the overhead projector loaded with Venn diagrams overlapping in crucial areas of networking, database, PCs, minis and mainframes.

Of course, the customer features, but only as the lucky recipient of a vastly expensive all-singing, all-dancing system that covers his every business need. Or, rather, keeps him quiet until the supplier is ready to sell in the next box of tricks the lab has dreamt up.

Yet the crucial fact about open systems is that the computer industry has not embraced open systems because it wanted to. It was forced down this path by a user revolt against proprietary systems locking them in to one supplier. And once users gain the right to make a painless switch of hardware vendor, they will exercise that right.

Olivetti is proud of its open systems heritage. It made a commitment to open systems in 1987, and four years is a long time in the computer industry. Open Systems Architecture (OSA) is the framework for Olivetti's offering in the field. OSA embraces standard hardware in the form of Intel chip sets. The OS/2 PC operating system keeps Olivetti PCs in tune with everyone's idea of IBM compatibil*ity while larger machines* run the operating system that started the open systems bandwagon, Unix, rolling.

Olivetti has stamped its *mark on OSA in the marketing* of industry sector packages. Branded as application profiles, these assortments of technology have been selected to address customers' needs across industry.

*Ibisys, a wide-ranging port*folio of office systems, includes integration of Microsoft's phenomenally successful Windows operating system. Olivetti has made substantial inroads into the banking and finance market on the back of personal banking (PB), which governs a bewildering array of products. The point is to take that confusion out of the bank's agenda. Olivetti angles for contracts that embrace the long-term management of technology.

Pooling of talents and systems: "that's where we strike oil"

The OSA factor means integrating products from dominant suppliers in the market. The selling proposition for Olivetti sales teams is their willingness to undertake a very detailed study of the business sector in question. Olivetti's success in winning finance sector contracts suggests that it has found a way to implement OSA as a part of the client's end product.

Barclays Bank has farmed out *its* branch equipment maintenance to Olivetti. The £50m three-year contract relieves Barclays of a technical burden while Olivetti engineers oversee *equipment from* 270 separate suppliers. What distinguishes this deal is the absence of Olivetti systems. Barclays bought in systems expertise, not new systems.

Banks are traditionally *tough customers. Olivetti won* the Barclays' contract on the understanding that it could support whatever computers Barclays chose to install in its branches. The contact with day-to-day banking operations has paid off.

Portman Building Society was formed out of a merger in October 1990. Confronted with two sets of computer systems spread across 100 branches, the Portman turned to Olivetti to install an OS/2 based PB environment. Portman *is* spending £2.8m with Olivetti to remain free to adopt whatever systems it wants in the future.

Just how far down the road of co-operation Olivetti has *gone was seen at the Institute of* Directors (IoD) last month. Management consultants KPMG brought Microsoft boss Mr Bill Gates and Dr Andy Hopper of Olivetti's Cambridge research centre together to address 50 IT heads from blue chip companies on future business computer systems.

The Cambridge lab is run jointly by Olivetti and Digital Equipment (Dec). Mr Gates unveiled the next step in the *march of his Windows operat*ing system – Windows New Technology (NT). Windows NT will take advantage of Advanced Risc Computer Spec*ification* (Arcs) machines to tie graphics, video images and external media like faxes together on one screen. Arcs workstations are under development by an industry consortium including Olivetti, Dec, *Compaq, Microsoft* and Unix experts SCO.

Mr Paolo Tosi, Olivetti's UK managing director, regards this pooling of talents as the only way to keep in tune with his customers. Olivetti is integrating systems both in the development stage, through technical collaboration with former fierce rivals, and in the commercial market through TPM contracts. "That's where we strike oil with a customer, with the abil*ity to run* a *professional proj*ect, to deliver to a schedule, going live without a hitch."

Olivetti's whole-hearted commitment to open systems has proved attractive to users and a commercial success. But the second rule of open systems, the power of the customer to turn away, has also been borne out. In 1989 Olivetti won a £10m contract to supply the Ministry of Defence with Unix systems.

When Olivetti bid for repeat business this year, it lost out to ICL. The MoD switched suppliers with the stroke of a pen and underlined the meaning of open systems. Mr Tosi acknowledges that the best environment for the customer is a *persistent* challenge for the systems supplier.

Michael Dempsey

Profile: SUN MICROSYSTEMS

An open architecture route to fame

SUN MICROSYSTEMS, the multi-national, billion-dollar US corporation, is one of the main standard bearers of open systems.

Sun (the Standford University Network) was founded in 1982 and now commands the largest worldwide share of the computer industry's fastest-growing market segment, workstations and servers, according to market research firm International Data Corpo*ration*.

In the 1990s, it is predicted, such technology will overtake the traditional computing infrastructure of networked personal computers and proprietary, time-sharing minicomputers. Sun reckons its workstation and server philosophy is the fourth wave in the history of computing, the other three being the development of mainframes, minicomputers and personal computers. Certainly, the growing number of corporate disciples of Sun and its computing strategy adds weight to its claim.

Sun's rise to fame has been on the back of the basic belief that computer users are tired of being locked into buying expensive, proprietary computer systems from one vendor.

Such systems are traditionally incompatible with rival systems, forcing computer users to be faithful to one product range, irrespective of need, purely to protect substantial investments in information technology.

Sun set out to give users more buying power by developing a range of products based on an open architecture *designed to unite all types of* hardware and software. It centred its development around the Unix operating system which runs the inner workings of a computer, being the intermediary between the application software and the computer. Unix is a system that has rapidly gained worldwide acceptance as a standard for both technical and commercial applications.

But in those early days there were several different versions of Unix, none of which was truly geared towards open systems. This limited the sales volume that Sun craved to dominate the blossoming open systems field, and so it teamed up with Unix's creator, AT&T, the telecommunications group, to develop a more open version of the operating system, Unix System V.4.

Sun *quickly became the mid*range company to watch as it in effect legitimised Unix in the broader commercial marketplace.

Striding ahead of its more reticent and less well connected competitors, Sun sealed its long-term strategy in 1989. In that year, Sun dumped its two key microprocessor chip suppliers, Motorola and Intel, and started work on an advanced type of desktop machine built around a new, *super-fast architecture called* reduced instruction set computing (Risc). The Motorola and Intel chip processors (the engine of the workstation) were replaced with a chip designed by Sun and called Sparc.

Many more licensees prefer to be anonymous

The determination by Sun to achieve truly open computing, even if it meant redesigning the microchip, has laid the company open to accusations of proprietary intentions every *bit as selfish as those of its contemporaries. However*, Sun lost no time in marketing its Sparc Compliance Definition listing the requirements for Sparc hardware and software compatibility. Clone makers and software developers were quick to recognise the potential of Sun's open systems product strategy, and they provided the industry-wide investment and commitment that Sun desired.

Today, Sun has collaborative technology deals on Sparc-based systems with some of the largest industrial conglomerations in the world, including Fujitsu, Amdahl, International Computers (ICL) and Xerox Corporation. Many more licensees prefer to remain anonymous.

Still, Sparc International, a consortium of 130 vendors using the technology, believes *that we are only* in the *infancy* of the Sun-compatible or Sparc-alike industry. It estimates that the number of Sparc-based systems sold will increase from 250,000 today to over 1m in 1993.

Many software companies have jumped on Sun's Risc bandwagon and there are over 2,000 software applications – Sparcware – available that operate on Sun's systems. Sun's own software subsidiary, Sunsoft, formed earlier this year, has shown them the way.

The expanding base of commercial Unix and personal productivity software has helped make Sun's hardware even more attractive to corporate purchasers. Notable orders *include* those from Northwest Airlines, New Zealand's Inland Revenue and Mitsubishi Bank.

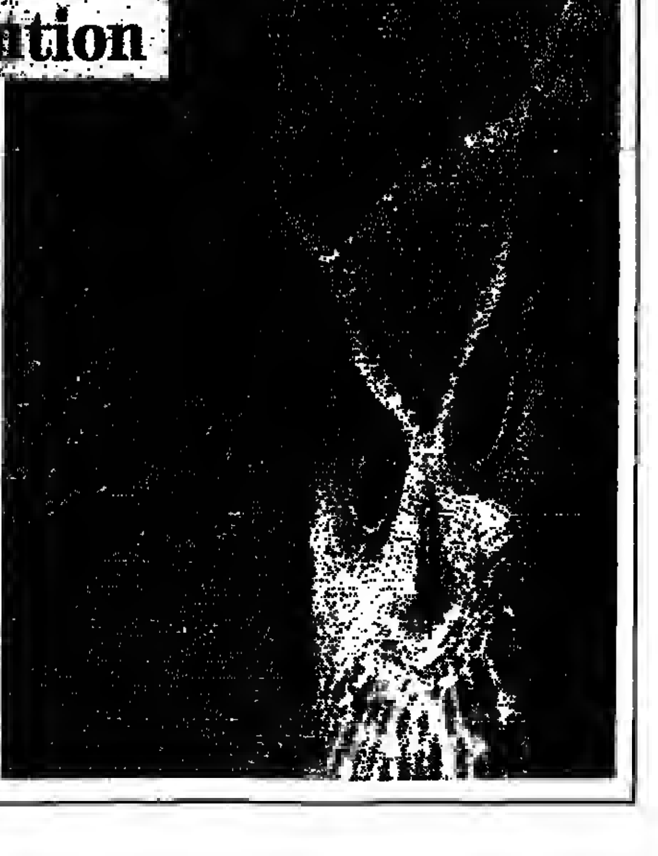
Sun has complemented its Sparc microprocessor architecture and Unix operating system platform with its Open Look graphical user interface and Open Network Computing environment. Open Look allows users to work with ease across different kinds of computer equipment, including systems from organisations such as *Digital Equipment Corporation*, Hewlett-Packard and International Business Machines and also allows access to a range of network resources.

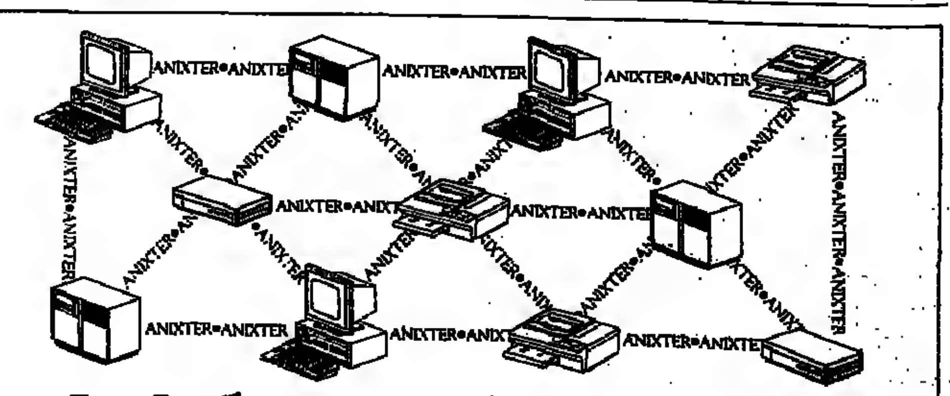
Advanced networking products and services complete Sun's open systems focus.

Sun's ultimate goal is to leave its mark on the 1990s in the way that personal computers dominated the 1980s. It wants to empower workgroups with its workstations and servers in the way that personal computers empower the individual. It is fond of boasting that while others build computers that network computers, Sun offers computers and associated products that network people.

Sun is confident of its lead over its rivals because others have to support multiple product lines, architectures and even multiple operating systems. Its single computing architecture is a simplified

Continued on Page 7





NETWORKING AND OPEN SYSTEMS 7

Phil Manchester looks at the prospects for object-oriented technology

Last rites for esoteric 'priesthood'?

AT THE end of this month, what could ba the last technological "priesthood" of tbe computar industry will meet in London to lecture on and discuss tbe esoteric subject of object-oriented techoology.

The seminars and the conference in object-oriented programming (Scoop) has lined op a Who's Who of the object-oriented technology world to explain what it is and to discuss its implications for tbe future of computer systems.

The reason that this group of worthy academics and industry researchers could be tha last esoteric "priesthood" in the compnter industry is simple. One of the main aims of the object-oriented approach is to make computers more accessible to oon-technologists, eliminating the need for armies of experts to operate and program them.

Object-oriented technology *provides a framework for pre*defined software components or objects which can be used by end-users to build their own applications. If tha protagonists of object-oriented technologies are successful, it could maka technology priesthoods unnecessary.

This possibility is reflected in tbe title of programming expert Micbael Jackson's Scoop paper, "Object Orientation: The Last One?" Mr Jackson, a pioneer of software engineering methods, discusses whether object-oriented design *migbt* be *the final stage* in the evolution of software development.

By defining the behaviour and tbe interfaces to software componeots, object-oriented design aims to bring an ordered, engineering approach to system development.

This should make it easier for application users to construct their own systems in a similar way to building "Lego" models – although it is still early days for the concept and users are only just beginning to become interested.

Tbe computer industry is, bowevar, taking object-oriented technology very seriously. Scoop takes place against a background of furious activity by computer manufacturers and software developers to taka object-oriented technology on board and bring its undoubted benefits to end-users.

To construct one's own system should *be like building* a 'Lego' model

The recent unprecedeoted co-operative agreament between IBM, the world's biggest computar company, and Apple, its major rival in the personal computer market, is an example. It aims to create a new breed of higb-performance, object-oriented workstation by the mid 1990s.

Hewlett-Packard, the minicomputer manufacturer, bas moved *into* the *geoeral* software market witb its NewWave object-orieoted interface for personal compnters. And leading software developers Microsoft, Borland and Oracle have pledged themselves to developing their future products with tbe object-oriented approach.

The Object Management Group (OMG), a US-based industry group set up in April 1989 to promote object-oriented technology, has seen a massive growth in its membership in the past year. A year ago OMG claimed 80 members; now there are 170 OMG members and the number continues to rise. Microsoft and IBM, botb of which had delayed membership, joined early in the year.

Significantly, larga user organisations are taking notice. Mr Christopher Stone, president of OMG, says that he is currently talking to Unilever, Boeing, Dupont, John Deere and *American* Airlines among others. He expects them all to be signed up as members *by the end of the year.*

"Object orientation is now big time and the leading-edge users can start to apply pressure to their suppliers to conform to standards," says Mr Stona. The rapid growtb of OMG's membership is important because OMG fulfils the role of co-ordinator for different companies' efforts to develop object-oriented technology. It has defined a framework and a set of standards which bave been widely adopted.

It has also started to put *flesh on* the *bones* witb products. At the end of this month, the so-called object-request broker (ORB), the central systems software component to bandle communicatioos between objacts, will ba unveiled at Unix Expo in the US. This will provide a base for future development of object-oriented systems.

Mr Stone emphasises tbe importance of the wide acceptance of object-orieoted standards. "Witbout consensus, it will not work. We must have agreement on how objects will talk to each other or we will lose the benefits," he says.

He has had some success in promoting compromise and co-operation between OMG mambers. Tbe technology to build tbe ORB was derived from competing bids from DEC, HP and others – all of which have agreed to co-operate on a singla technology.

The *IBM-Apple* workstation pact "has *helped us* enormously"

Mr Stone also applauds the recent announcement by IBM and Apple to co-operate on its workstation development and sees it as giving credibility to the object-oriented cause. "It is a significant risk for both companies – bint it has helped us enormously."

Mr Richard Strong, UK managing director of Next Computer – tbe workstation builder founded by Mr Steve *Jobs*, the *former Apple* presideot, also welcomes the IBM/Apple agreement. Next is one of the few companies that has already takeo oo many of the radical ideas of object-oriented technology in its range of high-performance workstations. Mr Strong claims that Next is about two years ahead of IBM and Apple.

"The IBM/Apple anneuncement has verified the positioo we took three years ago and it helps a lot to have them define the market for us," says Mr Stroog. He recognises, however, that users are unlikely to be fooled by empty promises and that object-oriented technology must deliver. It must be able ta offer something to users which make it wortb paying the price of migration to the new technology.

"It really is a new concept in building end-user *software.* But we need tools to make it easier. There is a danger that object-oriented *technology* will raise users' expectations and theo see them disappointed."

He *points* to *examples* of desktop publishing: "DTP caused problams becausa it gave anyone *the* power to be a designer – but you still need the design training to make it work properly.

"The tools to exploit object-oriented technology – like our own Nextstep – are becoming available. They will cause users to start forcing the pace in abont a year's time," Mr Stroog says. Meanwhile, the aoftware priestbood will continue to push the technology as e panacea to the prob*lems of software developme*ot – despite the long-term implications for its survival.

GRAPHICAL USER INTERFACES

Big stride ahead

POWERFUL modern computers offer more than faster processing and bigger storage capacity. They have also caused a revolution in the way computers are used. More and more of a computer's power is dedicated to making life easiar for the user. The greatest stride forward in the last year has been the wide acceptance of grapbical usar interfaces (GUIs).

Pioneered by Xerox in the early 1980s and popularised by Apple with its Macintosh, the GUI has totally changed tha way many use computers and belped tbem to gain more direct benefit from tbeir aystema. GUIs represent programs and data files on a display screen which makes them easier to understand and use. Combined with high-resolution screens and mouse pointers, GUIs have opened up oew opportunities for application builders and attracted many *new users to computing.*

The final seal of approval in the last year has been the success of Microsoft's Windows 3 GUI for the standard IBM-compatible personal computar (PC). It stormed to the top of the best-selling software charts and Microsoft claims it has sold 5m copies in the first 18 months. For less than £100, Windows 3 transforms the IBM PC into a full-blown workstation with a multi-colour, multiple window environment comparable to, if oot quite as good as, the Apple Macintosh.

Software developers *have* rushed to support Windows 3 and all major suppliers now either have Windows versions on the shelves or are working fast to get them there.

The GUI has also become e major issua in the battle between the various operating environments for the mid-range computer market – with each faction presenting its particular variation on the Macintosh/Windows theme.

The result is that all mainstream software product development is now, quite rightly, focused on GUIs as the primary interfaca between bnmans and compnter systems. They make computers much easier to use and the imposition of consistent standards makes new software applications easier to come to terms with.

While the appeal of the GUI is obvious in applications such as graphics design, desktop publishing and advanced word-processing, its application to the more mundane tasks associated witb traditional data processing, such as accountancy and manufacturing, has been slower.

But there are signs that this is changing. Database developers Oracle and Borland have shown strong commitment to GUIs for their future front-end tools developments. And leading accountancy software suppliers are also reacting to the market trend.

Sage, one of the UK's biggest accountancy software developers, has recently announced a version of its package with a *GUI. And Sybiz, an Australian* company, has introduced an accountancy package based on Microsoft's Windows 3.

Mr John Tate, managing director of accountancy software specialists Tate-Bramald, sees this as a positive development for accountancy software users – despite doubts about the need for GUIs in accountancy systems.

"Accountancy applications are heavily keyboard based *because they* involve *entering* lots of transaction data. But GUIs are no less relevant in accountancy than in any other applications and they can bring advantages. It is certainly one of the most topical issues," says Mr Tate.

Whila be sees no *great* advantage in GUIs for standard "workhorse" accounting, he thinks there is potential for it in a wider context. "Features like cut-and-paste which GUIs offer would be useful in management *information systems* or for preparing a sales quote based on order information.

"I think there will be much more to come in this area. Sage's decision to pick it up is very interesting *because* it is the largest seller by module in the UK."

Accountancy is not *the* only established area of data processing where GUIs are having an impact. Management of large systems – particularly those based on networks – is an increasingly pressing problem for large organisations. Computer Associates (CA), the big software product supplier, sees the GUI as providing a flexible solution to systems management problems.

"GUIs are a *de facto* standard for all new product development in CA and we see it as more than making systems easier to use. Our heavy involvement with mainframe software shows that there is a *strong* trend away *from* surrounding computers with experts. Users want cootrol and the *GUI* gives us a way *to* deliver it," says Mr Mike Maunder of CA in the UK.

One of CA's main markets is for operational control software which allows mainframe resources to be used in the best way. Mr Maunder says that the company will provide a GUI extension to its system management products. Called *Viewpoint*, it is compatible with Windows 3 and will "help the move away from centralised machines to network environments".

CA, in line with most other suppliers to the PC market, is also bringing its PC products across to Windows 3. "We have announced Superproject this month and Supercalc will follow in the next three months," says Mr Maunder.

As far as extending the GUI to *end-user applications* is concerned, Mr Maunder agrees with Mr Tate. "You don't need a GUI for debits and credits; but it is very useful when you want to know something. We see it as an information delivery vehicle. If it is nice and easy to use, more people will use it."

Phil Manchester

Open architecture route to fame

Continued from Page 6

technology that should enable *it to retain a leading market* share in the industry.

But while Sun's future looks assured – there has eveo been speculatioo that Fujitsu has an acquisitiva eye oo it – the company has its crosses to bear. It recently abandoned one of its US corporate marketing slogans, "the network is tbe computer" and tried to ignore *jibes* that it *did* so because tbe phrase implies rival X-terminal technology. (X-terminals combine tbe power of a workstation with the compactness of a terminal).

Turning the other cheek was ratber tricky for Sun as it meant looking straight at its Mountain View neigbbour, *Network Computing Devices*, which specialises in X-terminal technology and is reported to be trying to take out a copyright on the phrase.

X-terminal technology may have the potential to oust workstations

X-termioals are already *beginning to compete* with the workstatioo at tbe corporate level and IDC and Dataquest analysts *predict that* demand for them will jump from 51,000 units in 1990 to 788,000 in 1994.

Sun's streogths lie in the low-eod workstation market and it is here that X-terminal technology is expected to bite. Some think that X-terminals *have* the *potential* to oust workstations from corporate IT strategies within five years. But with Sun's investment in the high-end workstation and server markets, it is unlikely *to be badly mauled.*

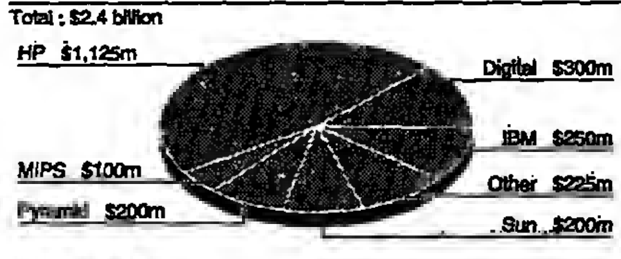
Where Sun has perceived a threat to its dominatioo of the open systems marketplace is in the continued thrust of Intel-based machines. Accordingly, Sun has shrewdly invested in Intel systems, and is currently bidding for the products division of Eastman Kodak's Unix software house, Ioteractive *Systems. This California-based* company sells one of the most popular versions of the Unix operating systems for Intel-based machines.

Sun bas recently consolidated *its position* in the *high*-end Unix server market, completing a suite of products that can act as data base and file servers. It bopas to attract users moving to distributed client server oetworks, although it faces keen competition.

Lindsay Nicolle

Worldwide commercial Risc/Unix market - 1990

Total : $2.4 billion



Source: Aberdeen Group

INFORMATION TECHNOLOGY

Cost benefits seen by governments

GOVERNMENTS, with their huge expenditures on information technology, were among the first to understand the cost benefits that were implicit in open systems and client-server computing.

They built models for vendors and others to follow - the UK government's Gosip OSI profile, for example - and their policy of insisting on open systems in public procurement was instrumental in changing attitudes among manufacturers. They realised that valuable government orders would be denied them unless they could meet the contractual requirements.

These orders can be vast in scope. The UK subsidiary of Groupe Bull of France, for example, was last year awarded a £50m contract as prime contractor to computerise the offices of the Inland Revenue. According to Ms Carol Wyett, Bull's project manager, the original intention in developing an Inland Revenue "office of the 1990s" was to provide greater resilience within the Revenue's existing computer network. Based on dumb terminals linked to mainframes, it left IR staff with restricted means of carrying on with their work if the terminal broke or a line went down.

With the decision to move to open systems communications, however, the project took on a new flavour. By 1995, Bull should have installed 937 Unix servers and 25,670 workstations. It will be, it is thought, the largest Open Systems Interconnection (OSI) network in the world.

The workstations are special in that they are based on Intel's 286 chip but are "discless", a security measure which means that information cannot easily be removed from or put into the system. The system runs on the newly established Government Data Network.

Unix, with its background in the universities, is not noted for its security features; the version Bull is providing for the Inland Revenue is "vanilla Unix with some added security" according to Ms Wyatt. Bull's own "Securix" version was thought to be overkill.

Security was a major consideration in another UK government project, the Ministry of Defence "Chots" (corporate headquarters office technology system) project awarded earlier this month to a consortium of ICL, Hewlett-Packard, BICC, Coopers & Lybrand Deloitte and Data Logic.

The Chots project costs more but is on a less grand scale than the Revenue initiative - it will involve about 10,600 terminals and several hundred Unix servers. The aim is to provide a streamlined communications systems together with personal productivity tools for its users - word-processing, database, control and tracking of documents and means of access to other systems.

Data Logic was responsible for the design of the system: it had to balance security, control and open processing. Chots started as an inter-office mail ing system; the final version will include fibre optic cabling to prevent unauthorised access, encryption technology and 'tempested' personal computers, proof against radio leakage which could be read by receivers outside the building.

Outside government, interest in client-server applications is growing as companies look at ways of "downsizing" from traditional mainframe approaches, in favour of personal computers linked by local area networks.

The Ministry of Defence's Chots project will involve 10,600 terminals

Citibank in the UK, for example, has downsized many of its cash management and securities applications.

According to Mr Hieronim Rutkowski, Citibank cash management project manager, the advantages of client-server computing are already making themselves felt.

Cash management services are run on behalf of the bank's large corporate customers who use the bank as an intermediary as they move money from account to account to take advantage of interest rates differences and so on.

It is a service which used to generate a lot of telecommunications traffic and bales of paper. The mainframe based system has now been replaced by a series of personal computers using the IBM operating system OS/2 together with Microsoft Windows and connected together in a network by Local Area Network (Lan) Manager networking software. The bank was a pioneer of this (and indeed many other) computing technologies. Work on the system started in 1988.

Essentially, the application is to take unstructured messages - which may be electronic or paper - and turn them into structured messages easily handled by the bank's back office computer system. The objective of the technological change was to handle the growth in traffic expected as a result of the single European market after 1992.

Mr Rutkowski experimented with the idea of using artificial intelligence to handle the conversion, but decided against it, the final result would have to be checked by a human operator, so there was limited value in automated handling.

He says that the system gives better control than paper and needs less support than mainframe technology. The cash management department is now in effect self-sufficient in technology. Fewer members of staff are needed and there has been a decline in the number of claims resulting from errors in processing.

Northwest Airlines of the US, which merged with Republic Airlines in 1986, is another pioneer in the use of information technology. It was an early customer for "intelligent" voice communications networks using an AT&T Megacom 800 to balance traffic loads between reservation centres and provide a 24-hour service.

Now it is applying client-server techniques to its passenger revenue accounting system. Many airlines calculate revenues by a statistical technique depending on a sample of airline tickets (lift coupons) and audit coupons from their travel agents. This is because of the huge daily volume of coupons.

Northwest wanted to audit all its coupons to get accurate revenue figures, check on the efficiency of its agents and get better data on its customers.

The system it settled for included workstations, servers, artificial intelligence and image technology, scanning 170,000 coupons into the system daily at 17 a second. Local area and wide area networks are used to connect the host computers, specialised servers and workstations.

The company now claims more accurate revenue figures and improved customer service. The airline has genuinely achieved competitive advantage through innovative use of information technology.

Alan Cane

OPEN INFORMATION ARCHITECTURE

Business and IT: closing the gap

NEITHER A Unix box nor a communications interface doth an open system make.

That's the lesson that the world's major corporations are learning fast as they try to break out of their proprietary architectures and introduce widespread open systems.

"In the past, large customers have come to us to find out what open systems mean," explains Mr Nick Cherrie, managing consultant of information technology at Price Waterhouse, London. "Now they are coming to us to ask how to do it. They have enormous amounts of data tied up in proprietary systems and they need to know how to coexist with existing systems, how to retain the value of what they have got, and to get the most out of the new world."

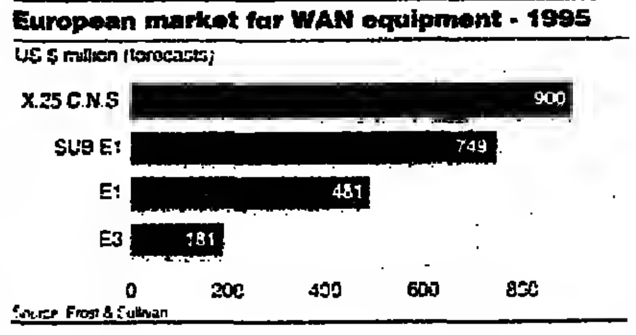
That is not just a matter of introducing open systems in discreet application areas. The world's major users are finding that the real cost benefits and competitive advantages from open systems can be gained only by adopting an open systems philosophy that permeates the whole of the organisation's information architecture.

"For the past 10 years or so we have been driving out open systems standards at the basic technology level," says Mr Geoff Morris, president and chief executive of X/Open, an international open systems organisation. "We have concentrated on solving the problems of connectivity between systems and the portability of software.

"Now we have to raise the level of activity. We must create an open framework for organisations to build open information architecture that reaches across an enterprise and gives the decision-makers the information they need to do their jobs. At the moment that information is trapped in proprietary systems, so it is difficult to get at and that is restricting business. The focus now is on that information, not the information systems."

The keys to the open architecture are the tools and delivery mechanisms that co-ordinate, manage, deliver and present information to people within an organisation - tools such as relational database management systems, fourth generation languages, query systems and graphical user interfaces.

Information Builders, the US software company, supplies one of those critical tool-sets. Its Enterprise Data Access (EDA) range of products allows companies to integrate their information resources no matter what the location, or operating system or the type of database. It can provide Standard Query Language access across 45 different types of database on 35 operating systems, and supports networking protocols from IBM's SNA and Digital's Decnet, to Ethenet and Open Systems Interconnection.



In practice, that amounts to a PC user running a Lotus 1-2-3 spreadsheet and being able to access information stored on one of a company's IBM mainframes, or on a Digital machine somewhere else, and to merge that data into the Lotus application on his desktop.

"At the moment information that decision-makers need is trapped in proprietary systems"

"One of the biggest frustrations over the last two decades for customers has been an inability to harness all that enterprise-wide data and deliver it to the information workers who need it," says Mr Ian Bramley, Information Builders European marketing manager. "It is sometimes locked in operational systems that have been built on successive layers of technology, or hidden in new desk-top and personal computer networks."

That is a situation Shell has been trying to break out of for the past two years. The lack of adequate products on the market forced the company to create its own information architecture to cope with the duplication of data, the inconsistencies across the network and the large amounts of people and processing time it was taking to get adequate management information out of its widespread information systems.

"Shell has approached the problem in a very systematic way with extensive DB2 databases linked into a central database with the processes, the procedures and the programs for managing that distributed information resource," says Mr Bramley. "It has been working on it for about two years so far and is well ahead of most organisations."

The Shell strategy has been closely followed by IBM in the UK and is similar to the solution launched by IBM in September called the Information Warehouse. This is a set of mostly IBM products that provides database management, decision support and delivery tools to let customers co-ordinate their information resources.

The company has gone outside to fill some of the gaps in its range, however, and Information Builders' EDA Standard Query Language provides IBM with a critical open access component.

"We are talking about getting the right data to the information worker," says Mr John Cole, IBM UK's database product manager. "It must be presented in a way that is optimised for that information worker, irrespective of the application that generated it." The information warehouse adopts a central structure to the information resource. A main data centre is established which knows where all the data in the organisation resides, and has the tools to be able to get at it.

IBM estimates that at the moment only around 20 per cent of a company's information resides on a relational database. The rest is in old file formats.

The information warehouse strategy recommends that most of the data needed for regular management information requests is kept at a central location and updated by the source systems at regular intervals. This creates a consistent and easily accessible information resource for information seekers.

The information does not necessarily have to reside in the central location but Mr Cole believes that "bringing it together at the centre has many advantages because the tools we have there can add significant value to the data." One of these advantages, of course, is that this approach will help IBM sell more central mainframe power.

Some open systems observers fear that this centralised information focus may ultimately create a "data dustbin" rather than a warehouse and deny some of the benefits that the decentralised power and performance of an open systems strategy allows.

Nevertheless, the attention and emphasis on the information resource and the tools that provide broad information access are a welcome step for the world's customers and the open systems movement.

"An open information architecture will give business instant access to valuable reservoirs of information around the enterprise," says X/Open's Mr Morris. "What we need are the open systems standards and the open-minded people who will be able to make this happen. Ultimately, it is this open information architecture that will close the gap between the business and the information technology people. Then we will see the real benefits of the open systems movement.

A consistent and easily accessible information resource for information seekers

Paul Tate

Bill Gates, chairman and chief executive of Microsoft, which is fighting tooth and nail to keep its foothold in the personal computer network operating system market

Louise Kehoe on initiatives to unplug a 'software bottleneck'

Standards battle gets under way

THE VALUE of computer standards first emerged in the personal computer market in the early 1980s when dozens of manufacturers followed International Business Machines' lead, creating IBM-compatible personal computers, or "clones".

Because virtually ell PC makers (with the exception of Apple Computer) adopted the same Intel microprocessors and Microsoft operating system as IBM, users were able to choose between dozens of competing suppliers of standard equipment.

A vast array of application programs quickly developed, stimulating computer sales. Computer buyers came to appreciate the advantages of standards through the proliferation of "shrink-wrapped" applications programs and competitive pricing for both hardware and software.

This spawned demands for "open systems" or the creation of standards spanning e much broader spectrum of computer types, centred on various derivatives of AT&T's Unix operating system.

Ironically, however, the standards that have so far emerged in the rest of tbe computer market are not compatible with the vast installed base of about 90m IBM-compatible PCs.

Three competing industry initiatives aimed at creating industry standards that will encompass both the PC and higher performance computers have recently been launched:

- The Ace initiative, lead by Compaq Compnter, Digital Equipment, Microsoft and the Santa Cruz Operation, plans to create standards based on two hardware "platforms", the Intel microprocessor-based PC and the Mips Compnter Risc (reduced instruction set compnting) architecture. Ace is also backing two operating systems; a new operating system under development at Microsoft, called Windows New Technology, and a Unix-based operating system that will be developed hy the Santa Cruz Operation.
- Sun Microsystems recently launched a new operating system called Solaris, based on Unix, that will run both on Intel-based PCs and on computers huild using Sun's Risc microprocessor, called Sparc.
- IBM, Apple Computer and Motorola recently signed agreements to jointly develop hardware and software that would create a new standard for PCs, workstations and higher performance computers. The alliance will focus on development of technology based on IBM's Risc microprocessor, called Power PC, and a Unix-based operating system derived from IBM's AIX and Apple's AU/X.

Apple Computer's Macintosh graphical user interface will be ported to the new systems.

Both technology and market changes are driving these efforts. The "de facto" standards established by the IBM PC are 10 years old. PC technology has advanced significantly over that period, with the introduction of successive generations of Intel microprocessors and new versions of Microsoft's DOS operating system. The limitations of the DOS operating system have, however, constrained further advances in PC performance.

"It has been very frustrating from an Intel point of view to develop new microprocessor technology that theoretically donbles performance, only to see the real performance improvement degraded by a 10-year-old operating system (MS-DOS)," says Mr Andrew Grove, president of Intel.

He sees the new operating systems unplugging the "software bottleneck" that has prevented computer users taking full advantage of advances in microprocessor technology.

The role of Intel'e microprocessors as the "standard" for personal computing is also, however, challenged by the new initiatives. While Intel maintains that its technology will keep pace with developments in Risc microprocessors, the chip company will face fierce competition in a market that it has dominated for the past decade.

These efforts to establish a new operating system standard also signal e shift in the role of the "personal computer". Individual PC users don't need all ths features of a multi-user, multi-tasking operating system, such as Sun's Solaris or Microsoft'e NT. For many users, the power of an Intel 486 microprocessor is more than adequate.

When the PC is linked to a network to become a gateway to corporate data bases, however, the picture changes. About 20m PCs are currently connected to networks and the number is expected to double over the next 12 months.

The open systems trend has also had an important inflnence on the PC market, raising the issue of how to more closely integrate PCs with computers that run the Unix operating system.

Ace, Sun and IBM-Apple are now set to do battle in the marketplace, with each attempting to establish dominant standards for the next generation of personal computing by gathering the support of as many other industry participants as possible.

The situation is reminiscent of the "Unix wars" of the late 1980s when an industry schism resulted from the formation of the Open Software Foundation and Unix International.

The PC standards battle is, however, just beginning to get under way as participants take up opposing positions. To date, none of the compnter products promised by the protagonists have been brought to market and it will probably be late in 1992 when the first such products emerge.

For computer users, the PC standards battle will no doubt prove as confusing as the Unix wars. Users will have to pick through a smokescreen of marketing hyperbola to discern which approach will ultimately dominate the market.

In this situation, however, users may simply choose to defer any decision on which direction to take on future PC standards, sticking instead to the current PC standards which are adequately meeting their needs.

Unseating the established Intel-Microsoft PC standard will not be easy, despite the fact that the computer manufacturers promise to protect curreot investmeots in PC hardware and software by ensuring compatibility with new types of systems.

The unsuccessful attempts by Microsoft and IBM to establish OS/2 as a new PC operating system, demonstrate the inertia that an installed base of millions of computers can create.

Today's PC standards are therefore expected to remain dominant for several years and only in the mid to late 1990s will the PC sector finally be drawn into the broader scope of interoperahle open systems.

BOOKS

Guide through the maze

OPEN SYSTEMS promise simplicity but generate complexity. The fault lies not with the concept but with the computer industry.

There is a confusion of offerings from compnter system suppliers, each claiming to be open and, indeed, more open than its competitors.

Add in the profusion of organisations each fighting its own corner in a husy marketplace – X/Open, Uniforum, 88 Open, Unix International and so on – and the need for a simple guide to the open systems maze is clear.

Pamela Gray's qualifications to write soch a volume are indisputable. Active in open systems for many years, she was president of the international Unix user group from 1986 to 1988 and is now head of a company which aims to supply information abont open systems to subscriber organisations.

There are at least two ways to approach an explanatory text about open systems. One is essentially technical, the computing equivalent of outlining why it is easier to make international telephone calls if there are global telecommunications standards or blow-dry your hair abroad if electrical power supplies are the same voltage and sockets the same shape as those at home.

The other is philosophical; in essence an approach which sets out to explain how world problems could be better tackled if telecommunications systems or electrical supplies were standardised worldwide.

While it has its fair share of technical explanation – there are five chunky appendices dealing with issues such as data handling, security and systems administration – Pamela Gray's book is very mnch of the latter variety.

It starts from the point of view that the establishment of industry-wide standarda (which is really all that open systems is about) is a key to solving many of the problems afflicting the industry: "Information technology (IT)," she writes, "should be made easy to use while at the same time designed in such a way as to allow innovation and competitiveness among suppliers to proceed.

Such overruns have served to sow seeds of doubt

"We contend that the only way to do this is through the adoption of international, widely-used, consensus standards for IT systems, supported by the entire computer industry and set in such a way as to reflect the real needs and priorities of the marketplace."

Many of these problems are already well known and their solution has not been especially connected with the establishment of open systems. They include, for example, the problem that many, perhaps a majority, of computer projects consistently overrun both on time and cost. Such overruns have served to sow seeds of doubt about the effectiveness of data processing management.

Then there is the application backlog, the fact that in many data centres the time from a reqnest for a new piece of applications software to its delivery can be up to two years – by which time the reason commissioning the software may have evaporated.

Finally, there is the worldwide shortage of skilled compnter specialists, a shortage that is unlikely to improve in the future.

Pamela Gray notes that every organisation is seeking to make its people more productive, to reduce learning times and to use staff from outside organisations without the need for retraining. They are also trying to control and rednce the time taken to develop new systems and provide a better service for their customers.

She conclndes that to achieve better and more efficient use of IT and IT people some of the variation that exists in the computer industry must be reduced.

Ian Hugo's book, while no less comprehensive than Dr Gray's, is very much a practical guide for managers on how to choose open systems. There are chapters on how to choose a supplier, for example, and among the appendices there is a list of questions to test the supplier's openness. "Is the supplier flexible or wedded to pure dogma?" it asks.

The list was, in fact, prepared by tha US computer manufacturer Data General which is associated with NCC Blackwell in publishing Mr Hugo's book. He notes: "Since it is provided by an interested party, it is open to accusations of bias; test it on other suppliers to see if they cry 'foul' – and where and why."

One of Mr Hugo'a advantages in putting together such a book is his acute scepticism. Although an advocate of open systems, he is by no means an unthinking believer, pointing out that although open systems are usually presented as a low cost option in data processing, in some sectors they may prove more expensive than solutions based on proprietary technology: "In the long run, however, it is obvious that open systems will be more cost effective. The guarantee of freedom for competition that open systems bring with them in itself almost guarantees that."

He looks at the pitfalls inherent in "standards", pointing out that a particular standard for computer communication defined little more than the number of pins in an electrical interface and their position in a plug or socket: "The scope of the standard does not include a definition of the type of information that each of the lines should carry. One result of this was that a couple of suppliers created a niche market in little black boxes that identified exactly what was going down each wire. Along the way, however, a lot of users became sadly disillusioned with standards."

Many people are going to remain disillusioned with standards and with the promises of the open systems movement unless the industry works to make the whole area a lot simpler to follow.

The impression, sadly, at too many open systems events these days is of an industry talking to itself, shut off from real life. "A trip through the relevant standards organisations is unfortunately likely to produce glazed eyes and leave the reader baffled and bewildered rather than better informed," Mr Hugo writes. Dr Gray writes of her "frustration over the last few years with ... the scarcity of materials which explain to those who need to make strategic decisions in this area what the relevant issues are and why they are so important."

Until open systems live up to their promise of simplicity, there will be a powerful need for books such as these.

Open Systems. A business strategy for the 1990s. Pamela A. Gray. McGraw-Hill 1991.

Practical Open Systems. A guide for managers. Ian Hugo NCC Blackwell 1991.

Alan Cane

Peter Judge investigates a world akin to that of politics

Those who set standards hope to call the tunes

THE MAIN difference between the world of politics and the politics of the information technology industry is that no-one gets killed in IT. Its standards, like international treaties, do not mean universal agreement, but they go a long way towards it. And, in the IT world, each new agreement is easier, as the standards makers get closer together.

Just like world politics, the IT industry is beset by self-seeking organisations, opinionated pressure groups and alliances, and presided over by a "United Nations" which is often powerless to intervene.

Standards have become the most important issue in IT: they are fundamental to open systems, so whoever sets them wields great power. Suppliers have decided directly to influence the standards that concern them, and users are forming groups to ensure their needs are met.

The United Nations for all standards is the International Organisation for Standardisation (ISO) but, in IT, the International Consultative Committee for Telegraphy and Telephony (CCITT) is almost as important.

ISO is a forum of standards bodies from around 80 nations. It is a "non-treaty" body of the UN proper: a voice of the industry, not of governments. It publishes standards for every area, including IT; suppliers are free to adopt them or not. Its most well-known IT work is the OSI seven-layer model, begun in 1978.

CCITT is the forum for the public telephone and telegraphy (PTT) companies worldwide. In the UK and the US, privatised telephone companies have been replaced by government departments. CCITT specialises in networking and makes "recommendations" which are often treated as standards by other bodies.

CCITT uses ISO's OSI reference model for its work. ISO in turn adopted the CCITT's X.25 wide area network, X.400 electronic mail and other work as standards.

The ISO-CCITT alliance is longstanding, as is ISO's direct link with the Institute of Electrical and Electronic Engineers (IEEE). The IEEE's work includes the local area network standards Ethernet and token ring, and the application portability interface, Posix. Between them, ISO, CCITT and the IEEE have settled the most important basic open systems standards.

But users and suppliers demand more than basic standards: new areas emerge continually, and the industry needs advice on how to implement the standards. For the most part, this comes from those concerned, working directly in consortia.

And that is where the conflict comes. Rival consortia present rival standards, and suppliers' interests are often served first. Standards created in this way, or by single suppliers, are called *de facto*. The most important *de facto* standards in the emerging open systems field are variations on the Unix product from AT&T Unix System Laboratories.

The industry comes close to spilling blood on portable software

The spread of open systems in industry began with industry-specific bodies, such as the MAP initiative, which started defining open systems for manufacturing in 1980, to encourage suppliers to meet the needs of large suppliers including General Motors.

Now the Government OSI Profiles (UK and US Gosip, and the European Procurement Handbook for Open Systems, Ephos) are far more important. With billions of IT spending, *governments can define* the predominant implementations of standards.

Gosips simply take existing OSI standards and refine them to make OSI "profiles". Profiles select from the options within a set of standards. Without profiles, suppliers can make OSI products which are not compatible with each other; when products meet a particular profile, they probably will work together.

MAP is still looked after by a world federation of MAP/TOP User Groups. The UK Gosip is defined by the CCTA and the US version by the National Institute of Standards and Technology (NIST). ISO has recognised the importance of profiles, setting up a Special Group on Functional Standards (SGFS), whose job is to publish the agreed output of OSI workshops in Europe, Asia and America.

Other groups have appeared, working to make particular standards usable. The Network Management Forum has prompted faster ISO work on network management, while the ODA Consortium hopes to get electronic document standards such as Open Document Architecture (ODA) into the market quicker. The X.400 API Association, aims to help suppliers make compatible electronic mail products according to the X.400 recommendations.

But all these deal with communications only. The industry comes closest to spilling blood on portable software. Versions of Unix are available from several suppliers, and at least two main groups are fashioning versions which they hope to establish as market leader.

Unix International is out ahead at the moment, having established the Unix version from AT&T Unix System Laboratories (USL) in the market. The Open Software Foundation's version, OSF/1, is still not selling in volume to users, but it is included in the the Digital/Microsoft/Compaq ACE initiative and the IBM/Apple joint venture.

Meanwhile, OSF has established the Motif user interface, and had a good reception for *its Distributed Computing* Environment (DCE). DCE is actually included in the rival Atlas product from UI.

UI and OSF are not the same kind of body: UI gathers specifications from hardware suppliers to tell USL what products to make; OSF actually makes products, which it then sells to its sponsors, IBM, DEC, Hewlett-Packard and others. The two are actually quite close together, as UI's use of DCE shows. Both of them comply with international standards, including POSIX and OSI.

The body which aims to pull the industry together is X/Open. Set up by suppliers, X/Open's goal is to bring together enough standards to cover all the basic functions of an open system, including POSIX and OSI. X/Open calls this a common application environment (CAE) and it includes international standards, and *de facto* standards with wide enough support. X/Open convasses users, in its Xtra market research, to determine what standards are required, and keeps the balance between supplier groups, such as OSF and UI.

But X/Open could face competition, from the latest in a line of militant groups of users. Standards and Open Systems (SOS), whose members include Dupont, Eastman Kodak, McDonnell Douglas and American Airlines, formed late this summer. It apparently wants to adopt a different CAE, being developed at NIST, called the application portability profile (APP).

The crucial fact is that SOS, as users, can be biased towards suppliers. SOS is also strongly in favour of many OSF standards, and could try to include these in a partisan CAE.

It is too early to tell if there will be conflict here: SOS members are mainly drawn from an earlier pressure group called the User Alliance for Open Systems, which has gone quiet since its 1990 launch.

Meanwhile, the progress of the Object Management Group (OMG) is a ray of hope. Object orientation is a key technology for a new kind of distributed computing which has yet to be delivered to the market.

In the normal way, suppliers would be at each other's throats trying to gain market share for their own ideas. But OMG appears to have persuaded the industry to agree to one standard, for the Object Request Broker, the first piece of technology for this new paradigm.

Peter Judge is the author of Standards Makers and their Standards, published by Technology Appraisals.

SECURITY SOFTWARE

Spies and viruses lurking in your friendly computer

IT ALMOST seems a contradiction in terms to talk about *security software for networked personal computers*. After all, the PC was designed to be friendly, intuitive and inviting. *How can you even* talk about the PC in the same breath as products designed to lock some people out and restrict access to others?

Passwords, encryption, keyboard-locking and dumb terminals are all still considered by many PC users to be part of the foreign world of the minicomputer and mainframe computer. But if PCs are to continue to penetrate the larger *business* computing arena at its current rate of growth, personal computer users are going to have to start thinking a great deal more about security issues.

And particularly as PCs gain further ground in "mission-critical" applications – and are offered with ever-improving connections to large PC Lans, minis and mainframes – corporate buyers must feel confident that they can implement appropriate security measures on their systems.

According to Mr Mike Tait, managing director of High Wycombe-based PC security software specialists Fifth Generation Systems, the problem is that users now have lots of power *on their desks* without the security procedures which were built-in to traditional mini and mainframe systems from the ground up. With increasing numbers of PCs becoming part of a company-wide network, those procedures are having to be relearned.

"It used to be that IT managers had control of security," explains Mr Tait, who was a vice-president and general manager at computer giant Unisys before joining Fifth Generation. "But the advent of the PC meant lost control – because departmental heads were buying individual PCs. It became more like an advanced calculator. But with the PCs *available these days, users now* virtually have mainframe power on their desks and PCs have sophisticated integration and connecting capabilities.

European data communications equipment

Value shipments forecast - 1995

Source: Frost & Sullivan

"The PC is now a serious base for company information processing. The spend on PC technology now forms the largest proportion of corporate expenditure on IT systems. The majority of a company's critical information is now stored on PCs – yet typically, security has been non-existent or low, at best. This renders companies open to industrial espionage, computer virus infection and wasted time when something does go wrong."

There is no point in implementing security measures to protect sensitive financial data if somebody leaves a copy on PCs that do *not provide the same levels of security*

Part of the problem, however, is that even with the best *PC network security software* in the world, it is useless if it is not used properly. There is no point, for example, in implementing high-level security measures to protect sensitive financial data on the company minicomputer if somebody leaves a copy of that data on a departmental network of PCs that do not provide the same levels of security.

For that reason, PC manufacturers are increasingly offering "discless workstations" for connection to personal computer networks. These allow users to run all their traditional PC software over the network – and perhaps have a hard disc for local storage – but do not offer *floppy discs, so that the only* way data can be physically added to or removed from the network is by the network administrator. Anyone else can only look at and work with the information on screen, but is unable to take a copy of it home without asking the network administrator.

Mr Jim Manzi, Lotus president, says that such questions are one of the reasons why personal computers have not yet demonstrated the leaps in productivity promised when they were introduced a decade ago.

"The issue is one of integration – or really, the failure to integrate the technology of the last 10 years into the fabric of companies – into the actual *running of business*," says Mr Manzi. "In fact, the real pay-off will come from using information technology not just to automate tasks, but to redesign jobs, processes, management systems and organisations themselves: to use technology to design the way we work."

This applies quite aptly to the question of data security and the way that network personal computer users tend to ignore it. While it is true that PC networking and E-mail products from the major software and systems houses tend to offer reasonable security provisions, there are some things inherent in the very nature of the PCs which militate against them being as secure as the *minis* or mainframe systems with which they have to work in large companies.

To start with, the PC is so simple to use that you tend not to think about the fact that you are using a computer. Yes, it is true that when you start up a PC that uses an electronic mail package, for example, you have to type in an ID and password in order to get into the mail system. But the confidence that the PC offers even to the novice user may make him or her that much more careless about the way he creates an ID or password.

Many users simply assign their own first name as their ID and then have a password that is easy to remember. The problem is that, in many cases, it takes very little brainpower to figure out someone's ID and password.

Mr Tait, however, says that password systems are more devices for user privacy than real corporate data security. He suggests that real network data security is achieved by regularly backing up data, limiting access to the PC itself, having provisions for data encryption (so that data is readable only on your network – if you put it on a floppy disc and take it home without unencrypting it first, it would be unreadable), using virus protection software and adopting proper corporate data security procedures.

It is even worth considering drafting employment contracts so that employees are responsible for the data they use – and are contractually prevented from taking data away with them when they leave the company and that they are required to make known all security passwords, he says.

"An integral part of the employment contract should be provisions for proper protection of the company's information," he concludes. "It should specify what you can and can't do with discs brought in from outside the company and lay down what happens where there is no master keyholder to all passwords – so that employees have to hand over their passwords along with the company Amex card, company car and office door keys."

Geoff Wheelwright

NETWORKING AND OPEN SYSTEMS 12

With their stronghold under siege, what do the manufacturers have on offer?

The mainframe loses its might

THIS YEAR the greateat proprietary stronghold of the computer business came under siege. The mainframe sector now faces the very real prospect of open systems becoming a reality.

With falling demand and shrinking margins across their proprietary mainframe markets, the world's mainframe manufacturers are now desperately trying to exceed each other in "open" moves with product announcements and statements of direction.

Over the last few months IBM has said it will run its own Unix version called AIX on its 9000 range of machines, and offered more details on its plans to create an open systems version of its MVS operating system: Digital, which has a Unix version called Ultrix, has continued to promote its intentions to open up its own VMS operating system; and Britain's ICL has launched a new version of its proprietary mainframe product called Open VME.

More open mainframe announcements are likely to be on the way from other manufacturers, from Unisys to Bull.

IBM had little choice. Out of the 29 requirements passed to IBM by its powerful share customer group last year, "most of them were about open systems," says Mr Gavin Roach, IT infrastructure marketing manager at IBM UK.

"The problems have changed. It used to be a plea for more processing power, now they are saying: 'help us to integrate our systems, and manage our data'," he explains.

IBM had little choice. Most of the 29 requirements passed to it by the powerful share customer group last year were about open systems

ICI also found customers pushing for an open option on its mainframes, such as British Gas which announced in Septemher that it is to implement a new open systems IT strategy built on ICL mainframe platforms.

"British Gas saw openness as a long-term strategy," says Mr David Slavid, ICL's business manager of corporate systems. "It wants a corporate data centre that gets the most out of its data and network." He stresses that this is not a short-term issne. "Yon don't suddenly wave a magic wand and make your millions of lines of code portable. There is no instant fix. The next five years will be the transition era for the major customers. What they are trying to do is to move the good things they hava forward, and to get greater eupplier independence."

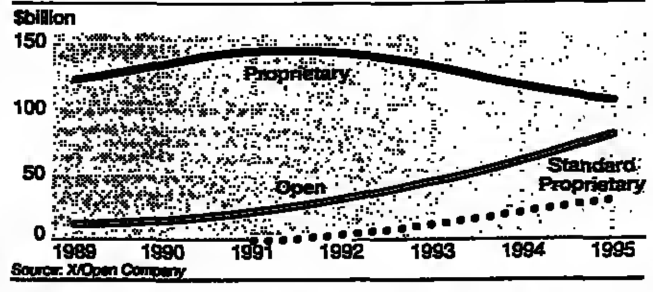
It looks as if it may be a rough ride. Mainframe systems have increasingly supported open systems communications standards over the past 10 years. The hot issue now is application portability and inter-operability across different systems which require more complex and pervasive changes.

The open systems solutions being offered by the mainframe makers on today's market fall into two different, and potentially competing, categories.

First, like IBM's strategy with its mainframe version of AIX, a separate open systems operating system is being offered based on either AT&T's Unix or the Open Software Foundation's OSF1. IBM compatible mainframe supplier Amdahl has had a mainframe based Unix system available for many years called UTS which is now on its third major release. But while Amdahl can cite hundreds of UTS licences around the world, it is difficult to quantify precisely how much the product is being used and for what purposes.

Nona of the mainframe suppliers expects to make a major killing ont of this approach. "In many aspects of large systems effectiveness, comparing Unix with our MVS is chalk and cheese," says IBM's Mr Roach. "We expect most interest in the technical and scientific fields where Unix is more common, but we don't expect many companies will change to this platform in other areas. We will be able to provide the benefits through an open MVS."

When Proprietary becomes Standard



Source: X/Open Company

That is the key to the second approach – an open version of a company's existing proprietary operating system. Digital is taking this route with its plans to open np its VMS operating system as part of its Network Application Support Program and IBM intends making similar adaptions to MVS. Both are committed to creating an open operating system that supports the US-developed Posix standard.

ICL has already gone one step further and in May this year became the world's first company to be awarded a hrand hy the international open systems organisation X/Open for a mainframe operating system.

"The general trend in mainframes is now for 'open proprietary' operating systems," says Mr Slavid. "This is a gradual move by suppliers to recognise that they must change, bot they also know that there are still thousands of bnsinesses around the world which depend on their existing proprietary systems. The open proprietary approach offers the best of both worlds."

IBM's Mr Roach explains how this will work with the open version of MVS. "We can see there will be a lot of benefits of being able to huy Posix or X/Open compliant applications that run on many different machines," he says. "On the mainframe itself, MVS applications will not be affected but they will be able to access the Posix applications. And with some changes, the Posix applications will be able to access the MVS tasks."

Since there are very few open systems applications available at the mainframe level, and much of a corporation's information resource is tied to the formats and software of its traditional mainframe systems, a gradual transition is the most that companies can hope for at this stage. Besides, most of these open proprietary products will not be available on the market until next year at least.

But does this strategy represent the past trying to catch up with the present, or is it a real solntion for the future? Research predicts that the open proprietary market is set to increase dramatically over the next few years.

IBM is convinced it is the right way to go. "By adding open components to MVS, it will sit in any environment more easily," says Mr Roach, reflecting the major customer problem of trying to manage multi-vendor computing environments.

But does this strategy — of a gradual transition to an open proprietary market — represent the past trying to catch up with the present, or is it a real solution for the future?

"We expect a number of our customers will choose this option above the *Unix* approach because it means protection of their existing investments," he adds.

The most dramatic result of this process is that the role of the mainframe may change as it becomes less of a primary source of proprietary computing power.

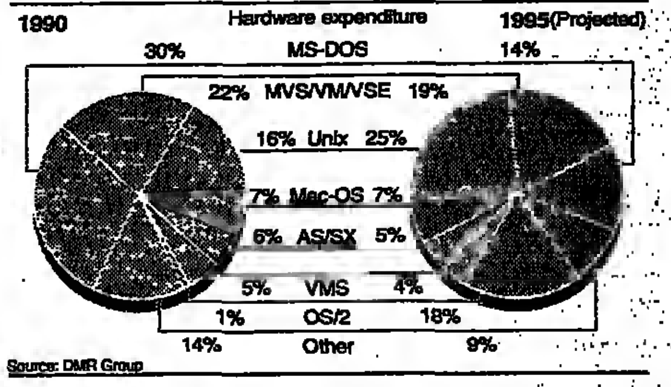
"Eventually, we will be able to run open MVS acroas machines of many different sizes over ever-greater distancas and so the mainframe itself is likely to become more an open management information switch or data server," he says.

While the large systems' open eyatems option that emerged this year may not epell the end of mainframes themselves, it may well extinguish the traditional mainframe culture.

Customer needs are forcing the enclaves of old world computing to be broken apart and the mighty mainframe, once the epitome of computing prowess, *looks set to be* downgraded to jnst another sonrce of information, processing power and applications on tha open systems network.

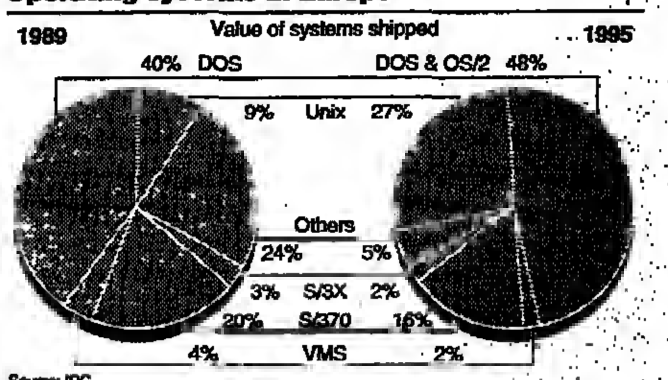
Paul Tate

Operating systems in the US



Source: DMR Group

Operating systems in Europe



Source: IDC

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